S. HRG. 99-681

JOB TRAINING PARTNERSHIP ACT AMENDMENTS OF 1986

HEARING

BEFORE THE

SUBCOMMITTEE ON
EMPLOYMENT AND PRODUCTIVITY

OF THE

COMMITTEE ON
LABOR AND HUMAN RESOURCES
UNITED STATES SENATE

NINETY-NINTH CONGRESS

SECOND SESSION

ON

S. 2069

TO AMEND THE JOB TRAINING PARTNERSHIP ACT

MARCH 11, 1986

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JOB TRAINING PARTNERSHIP ACT AMENDMENTS OF 1986

TUESDAY, MARCH 11, 1986

U.S. SENATE,
SUBCOMMITTEE ON EMPLOYMENT AND PRODUCTIVITY,
COMMITTEE ON LABOR AND HUMAN RESOURCES,
Washington, DC.

The subcommittee met, pursuant to notice, at 9:07 a.m., in room SD-430, Dirksen Senate Office Building, Senator Dan Quayle (chairman of the subcommittee) presiding.

Present: Senators Quayle and Simon

OPENING STATEMENT OF SENATOR QUAYLE

Senator QUAYLE. The committee will come to order.

Today we are conducting a hearing on the Job Training Partnership Act Amendments of 1986, S. 2069, which I introduced on February 7. I am pleased that this bill, like the original JTPA that I authored, is cosponsored by Senator Kennedy, the ranking minority member of the Labor and Human Resources Committee.

The purpose of S. 2069 is to clarify or perfect the act's provisions. My goal is to improve program stability and lessen burdensome administrative requirements, improve services to youth and the hard-to-serve, and strengthen enforcement of JTPA's requirements.

In addition, my bill clarifies that unemployed farmers are eligible for the Dislocated Worker Program. Increasingly, States, includng my home State of Indiana, are attempting to address the plight of the distressed farmer. Farmers have skills that are valuable in many occupations. Through title III, many unemployed farmers may learn how to redirect their skills to new areas.

As our lead witness, I am pleased to have Roger Semerad, the Assistant Secretary of Labor for Employment and Training. Our first panel of witnesses represents the public-private partnership at the State and local levels. The subcommittee will also receive testimony from program administrators and individuals representing populations that are in special need of job training.

The programmatic issues being addressed by S. 2069 were identified during oversight of JTPA. As chairman, I directed the staff of the Subcommittee of Employment and Productivity to conduct oversight hearings in five regions of the country and in Indiana. A summary of those findings will be included in the hearing record.

Although I have introduced these amendments in an effort to be responsive to recommendations and concerns we received during oversight hearings, it gives me great pleasure to report that there is broad support for the public-private partnership and that JTPA is an effective delivery system for training and economic development, largely as a result of the involvement of the private sector.

Witnesses at the oversight hearings stated that the increased autonomy and flexibility accompanying JTPA's decentralized approach is essential to the continued involvement of the private sector. With the possible exception of a few amendments to achieve some fine tuning, witnesses generally agreed that major changes to JTPA are unnecessary.

I agree with that consensus. Since JTPA was enacted in October 1982, we have been successful in avoiding the continual changes that plagued the Comprehensive Employment and Training Act [CETA], which JTPA replaced.

Many of the amendments I am proposing today were recommended and broadly supported by witnesses at the oversight sessions. I believe they preserve Congressional intent and the philosophy of the act.

I am confident that the comments and recommendations of witnesses before us today will be valuable as we refine the amendments contained in S. 2069.

These amendments culminate from a number of oversight hearings—some held here in Washington, some held in my home State of Indiana, and others around the country. I believe these amendments are a positive step forward toward better implementation of JTPA, that is, training and retraining people in this country who are in need of employment.

[Report on oversight of JTPA in Indiana by Senator Quayle follows:]

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Senate

REPORT ON OVERSIGHT OF THE JOB TRAINING PARTNERSHIP ACT IN INDIANA

Mr. QUAYLE. Mr. President, today I am reporting on the findings from oversight of the Job Training Partnership Act (JTPA) in Indiana.

July 1, 1985, marked the first anniversary of JTPA. As chairman of the Senate Labor and Human Resources Subcommittee on Employment and Productivity and an author of JTPA, I directed the subcommittee to conduct oversight activities to determine whether JTPA is meeting Indiana's substantial training and retraining needs. In recognition of the start of the second full year of program operations, the purpose of this oversight was to examine the implementation of JTPA and to determine whether amendments to the new statute are needed. I want to draw the attention of my colleagues to a report I am issuing that summarizes the findings from that case study of JTPA operations in Indiana.

Before I discuss our findings, I would like to provide some background on the oversight activities of the subcommittee.

OTHER SUBCOMMITTEES OVERSIGHT OF JTPA

Earlier oversight of JTPA was conducted by the subcommittee in the fall of 1984. Congressional staff held discussion forums and made site visits throughout the country to assess the implementation of the new training program. The individuals consulted represented a broad range of perspectives.

At that time, the subcommittee found that there was strong support for JTPA. The implementation phase was still progressing as States and service delivery areas were learning about program operations and their new roles and responsibilities under JTPA. A summary of the findings from regional oversight activities in Maine, Mississippi, Ohio, Tennessee, and Washington is contained in the committee print entitled, "Preliminary Oversight on the Job Training Partnership Act," Senate print 98-264.

INDIANA'S TRAINING NEEDS

Naturally, as a representative of Indiana, a State with substantial training needs, I am eager to know whether its needs are being met by legislation that I was instrumental in designing.

The tremendous need for JTPA in Indiana is documented by unemployment statistics. Monthly unemployment rates in Indiana have exceeded national unemployment rates regularly since 1979. For 1984, the annual average unemployment rate for Indiana was 8.6 percent, while the national average was about 7.5 percent. The most recent monthly data available, for August 1985, show a significant improvement in Indiana's unemployment rate as it dipped and came close to meeting the national figure: Indiana's unemployment rate was 7.4 percent and the national unemployment rate was 7 percent.

Indiana's retraining needs are exacerbated by the fact that it has been one of the States hit hardest by the recent structural changes in the economy, particularly in the auto and steel industries, which form the backbone of Indiana's manufacturing sector. Plant closings and permanent layoffs continue to result in large numbers of experienced workers suffering long bouts of unemployment.

BACKGROUND TO JTPA

JTPA was signed into law on October 13, 1982, and the new nationwide job training program became effective on October 1, 1983. Following a 9-month transition period to the new program year, JTPA began its first full year of program operations on July 1, 1984.

JTPA authorizes a Federal job training program that replaced the Comprehensive Employment and Training Act (CETA). Building on the knowledge acquired through CETA and its predecessors, including the Manpower Development and Training Act, JTPA incorporates past experience with an innovative service delivery system to tackle the problems of chronic unemployment and poverty. The salient feature of this innovative approach is the substantial role given to the private sector in the design and administration of job training programs.

The philosophy underlying this approach is that the private sector knows best the skills and attitudes employees should possess for successful employment. Private sector involvement is a critical link between the training provided and the jobs that are available. As a result of this linkage, training is tied to economic development. Since decisions regarding the design and operation of training programs are most appropriately made at the local level, JTPA employs a decentralized service delivery system. For more information on program requirements, the appendix to the report contains a primer on JTPA.

OVERSIGHT OF JTPA IN INDIANA

As part of the Indiana case study, I conducted six oversight hearings. These hearings were held in Indianapolis and Evansville on July 1; in South Bend and Gary on July 2; and in Lafayette and Fort Wayne on August 7.

In addition to these six formal oversight hearings I chaired, staff held five discussion forums in conjunction with onsite visits in other parts of Indiana. Staff forums and site visits took place in Kokomo on April 2; in Columbus on June 5; in Salem on August 21; in Marion on August 22; and in Muncie on August 26.

The individuals who took part in these oversight sessions represent the broad range of perspectives involved in setting JTPA policy and in program operations at the Federal, State, and local levels. Many of the participants are members of private industry councils. A list of all the individuals who testified is contained in the appendix. All of Indiana's 17 service delivery areas were represented.

Participants included the Secretary of Labor, William E. Brock III; Indiana Gov. Robert D. Orr and Lt. Gov. John Mutz. Other witnesses included 19 chairs and former chairs of private industry councils; 21 local elected officials; 11 business representatives of private industry councils and dislocated worker programs; 10 representatives of chambers of commerce and economic development; 10 representatives of labor; 14 representatives of education; 10 representatives of the handicapped and vocational rehabilitation; 12 representatives of minorities; 17 representatives of youth, women, senior citizens, and veterans; 15 representatives of employment security and the bureau of apprenticeship and training; 29 employers of trainees; 22 trainees; and 29 program operators, training providers and community-based organizations.

I would like to extend my appreciation and gratitude to all those who assisted in the case study of JTPA in Indiana. Thanks are due to everyone who expressed their views orally and through written testimony. The subcommittee would particularly like to thank the members of private industry councils, who are volunteers, for their time. From all the comments that were made, it is evident that communities are accepting their responsibilities under JTPA in a thoughtful and serious manner.

We also extend our appreciation to the businesses and companies that permitted their employees and JTPA trainees to meet with staff. Finally, the subcommittee would like to thank JTPA administrators and their staffs for all the assistance they provided in organizing and conducting these oversight activities.

FUTURE OVERSIGHT

Findings from the preliminary oversight activities in 1984 and the 1985 case study of Indiana will help shape the issues the subcommittee examines during oversight hearings planned at the national level, in the spring of 1986. These Washington, DC, oversight hearings will take place near the conclusion of the first 2-year planning period.

SUMMARY OF MAJOR FINDINGS

Now I would like to turn to the findings of the six oversight hearings I chaired and the five staff forums and site visits undertaken by staff this spring and summer. The subcommittee's major finding is that JTPA has been effective in assisting Indiana's unemployed find jobs in the private sector. The new service delivery system is firmly established and well positioned to address the training needs of the structurally unemployed.

Performance standards for Indiana indicate that, for the first three quarters of program year 1984—July 1984 to March 1985—80 percent of adults and 70 percent of youth who completed JTPA found jobs. Comparable national figures show that 70 percent of adults and 62 percent of youth who terminated from the program were placed in jobs. This compares favorably with CETA which, nationally, had a placement rate of 39 percent in the basic program—title II-B—and 35 percent overall.

Foreign trade and structural changes in the auto and steel industries have changed the industrial base of many Indiana communities. JTPA, through the local public-private partnership and the private industry council with its business majority and communitywide participation, is serving as

a forum for the development of local solutions to eliminate unemployment in conjunction with economic development.

The comments of many witnesses were echoed by one chief local elected official:

> I think it [JTPA] gives an opportunity for both sides to develop strategies [to accomplish the goals of the Act], but also to perhaps get a little more creative and . . . develop our own economic development strategies at the local level.

Witnesses credited the local partnership between business and elected officials for the successes that have been achieved by the service delivery areas (SDAs) in meeting and surpassing performance standards. See the appendix for program data, statewide and by SDA.

The role of the private sector was generally acknowledged as the key to the SDAs' success in placing the unemployed in jobs. Consequently, private sector involvement has been enthusiastically received and welcomed throughout Indiana.

There is also strong support for the decentralized decisionmaking process. SDA representatives said that, under local control of the program, they enjoy a new sense of ownership and satisfaction.

Testimony indicated that the increased autonomy and flexibility accompanying JTPA's decentralized approach is essential to the continued involvement of the private sector. As a result, concerns raised about the program tended to focus on how to further enhance the autonomy and flexibility of the SDAs and the private industry councils (PICs).

To briefly summarize, testimony received by the subcommittee in Indiana indicated strong support for JTPA. In particular, there is a great deal of enthusiasm for business involvement through the local public-private partnership. There is a very strong consensus that, with the possible exception of a few minor changes to achieve some technical fine tuning to enhance the flexibility of SDAs in meeting the goals of the act, amendments to JTPA are not necessary and should be avoided. Witnesses indicated that, with more leadership from the U.S. Department of Labor, many of the concerns that were raised could be resolved administratively, at the State and local levels.

At the conclusion of my remarks, I ask to have the detailed discussion of findings and its appendix inserted in the RECORD.

The material follows:

DETAILED FINDINGS

Following is a detailed discussion of findings from the oversight sessions on the Job Training Partnership Act (JTPA) conducted in Indiana by the Subcommittee on Employment and Productivity between April and August 1985.

It should be noted that this section examines concerns or issues that were frequently raised by representatives of many different perspectives: private industry council (PIC) chairs and other PIC members, elected officials, program administrators, representatives of related programs and advocates of the client populations. The purpose of this detailed discussion is to present the findings of the Subcommittee without commenting on the merits of the concerns that were raised or recommendations to address them.

It is important to stress that there was a consensus among the Indiana witnesses that JTPA should not be amended at this time. Although suggestions were made for possible minor improvements to the Act, witnesses generally maintained that Congress should be cautious in making any changes other than minor adjustments to enhance local flexibility in meeting the goals of JTPA. Instead, witnesses indicated that, with more leadership from the U.S. Department of Labor, many of the concerns that were raised could be resolved administratively, at the State and local levels.

PERFORMANCE STANDARDS

All of Indiana's service delivery areas (SDAs) are meeting or exceeding their performance standards, which are welcomed as a means of evaluating program results. However, despite this acceptance and support, performance standards have become the focus of controversy in that they may encourage program operators to cater their services to some categories of individuals among the eligible population but not others. Many witnesses are concerned that the performance standards restrict the ability of SDAs to serve a portion of the economically disadvantaged that requires a longer period of training and a greater investment of JTPA resources. This is commonly referred to as "creaming".

Witnesses explained that the performance standards currently being implemented by the U.S. Department of Labor heavily emphasize the achievements of immediate job placement, at a low program cost, starting at a salary above the legal hourly minimum wage of $3.35. Consequently, some witnesses said they are discouraged from serving individuals for whom a successful outcome may be achievement of basic skill competencies rather than immediate employment and for whom more extensive and, consequently, more expensive classroom training is required.

Given the limited funds available for JTPA in proportion to the size of the eligible population, SDAs must set priorities and make decisions regarding the most effective use of the training dollar. The emphasis placed on job placement combined with the increased participation of the private sector, has caused an unprecedented use of on-the-job training (OJT). OJT often leads to permanent employment, and subsidized wages paid to OJT participants provide them with an income during the in-training period. OJT is an effective and efficient training approach. That SDAs are able to meet the performance standards, with high placement rates at low cost, largely through the increased use of OJT is an indication that JTPA's design is a success.

However, witnesses requested that the performance standards be revised in order to encourage SDAs to provide more longer-term and competency-based training for both youth and adults who need more basic skill development to become employable. This would enhance the flexibility of the SDAs to serve a broader range of the eligible population. Such performance standards would also allow more exploration and development of training programs that prepare individuals for a future of employment in different jobs rather than simply training for a specific job.

Witnesses within SDAs had divergent views on whether or not the performance standards caused JTPA to cream—or selectively enroll those who stand to benefit most from short-term training.

One witness, a program director who was also involved with CETA, summarized the thoughts of many: "The establishment of performance standards helped to stress the need for high performance in the system. It told us . . . that Congress is serious about placing people in jobs. I think that, overall, the system has responded admirably. JTPA has gained credibility in a short time period. It has proven that when employers are involved in a meaningful way, effective progams are the result." This same witness went on to add that, ". . . we need to examine the 'T' in JTPA. We need to be more creative in our use of longer-term technical training combined with OJT if we are going to have trainees making quantum leaps in skill and wage levels."

Several witnesses pointed out that performance standards do not measure the sorts of outcomes that are specified in the Act, such as reductions in welfare earnings, increases in earnings over a period of time after terminating from JTPA, or decreases in unemployment. In addition, SDAs indicated that they are discouraged from purchasing the supportive services necessary to enable some individuals to participate because SDAs will be penalized by the performance standards for doing so. (See the discussion under the subheading Supportive Services.)

Witnesses who did not think creaming was a problem pointed out that SDAs can and must make sound business decisions, within the constraints of the program but with the benefit of input from private sector PIC Members. Witnesses stressed that training is an investment and communities want a significant return on their tax dollar. Not all the disadvantaged can benefit equally from training, and many have problems for which training is not the solution. One witness commented that the performance standards have ". . . given the program direction and contributed to more positive results. Although these standards may force some agencies to cream, the tangible results are important enough to merit consideration."

Most witnesses welcomed the fact that participants in JTPA are more committed and highly motivated to gain training for its own sake. It was generally agreed that this has resulted in a higher percentage of participants completing their training. Minority representatives suggested that increasing participation of some segments of the eligible population required a sensitivity to cultural differences and to attitudes about past Federal programs that "set up a continuing perception that interferes with operations of JTPA," as one witness put it.

There is uncertainty over the extent of the State's authority and responsibility for adjusting performance standards for the SDAs. SDAs expressed confusion regarding the regression model developed by the U.S. Department of Labor for adjusting the performance standards for local economic conditions and characteristics of populations served.

Several SDAs expressed concern with the methods of calculating the average wage at placement standard. This seemed to be especially a problem for SDAs in which several rural counties are joined with a single, heavily industrial county. In calculating the average wage for such an area, a few large companies with high starting salaries are included, driving up the average for the entire area. It is then difficult, throughout the other counties, for trainees to be placed in jobs that have starting salaries within the correct wage range. A further complication in such an area is that its large companies are often in industries which are currently in the process of laying off and reducing their labor forces. With many former employees awaiting recall, it is extremely difficult to place trainees in these higher paying companies.

SUPPORTIVE SERVICES

Some SDA representatives maintained that more JTPA funds are needed for supportive services, such as child care, transportation and counseling. When questioned, these witnesses stated such services are not available through other sources. Those who expressed concern about supportive services under JTPA said that this reinforced the tendency of the performance standards to focus JTPA on serving the portion of the eligible population that benefits most from short term training.

When questioned about such concerns, SDAs often said they had not requested the waiver on supportive services authorized by Section 108(c) and did not favor doing so. This waiver, which the PIC must request from the Governor, permits SDAs to use some training funds for supportive services in limited circumstances. Witnesses generally responded that, since too few funds were available for training, they did not want to sacrifice training funds to underwrite supportive services costs.

A further disincentive to seeking a waiver is that purchasing additional supportive services would hinder SDAs from meeting the performance standards by increasing the cost per trainee. Witnesses recommended that the performance standards be adjusted to take these costs into account.

Witnesses who do not share this concern believe the need for supportive services for trainees is being met through improved coordination with related programs such as Title XX--Social Services, Aid to Families with Dependent Children (AFDC), the Employment Service and Vocational Rehabilitation.

STIPENDS

Witnesses indicated support for the elimination of stipends, except in some limited cases with youth. Some SDA representatives said that, without the stipends, JTPA offers little enticement to participation for the most extremely disadvantaged, minority, inner-city youth. A stipend would provide the incentive necessary to attract these youth into the program.

Although the Act permits "needs based payments necessary in order to permit an individual to participate" (Sec. 204(27)), some witnesses would prefer a more explicitly authorized use of stipends, in limited circumstances, for youth.

One witness, who supported the move to eliminate stipends in order to encourage self-motivation, suggested that a stipend be offered in the form of a reward to recognize training achievements. This would promote self-motivation among youth participants and help cover minimum training expenses.

SERVICES FOR YOUTH

Many Indiana SDAs share a common concern over the level and quality of services for youth between the ages of 16 and 21. The Act requires that 40 percent of each SDA's allocation must be spent on youth. A State's Governor may adjust this percentage for an SDA so that it more closely reflects the proportion of youth in the SDA's eligible population. In some instances, SDAs are experiencing difficulty meeting this requirement because of conflicting or restrictive program requirements, and in other instances the level of expenditures required to be spent for youth is believed to be too high. Often SDAs ascribed their difficulties in meeting the 40 percent requirement to a combination of these factors.

Several witnesses stated that the 40 percent requirement is too high because services for youth are not as expensive as services for adults. Witnesses who thought that 40 percent was too high a level said the requirement forces them either to purchase more expensive services for youth rather than be cost effective, or to serve a disproportionate number of youth, over 50 percent in some cases. Representatives from SDAs with this problem, usually rural areas, sometimes said they had difficulty finding enough eligible youth who wanted to be in the program.

Witnesses indicated that the objectives set out in the performance standards seem to be inconsistent with the Act's emphasis on serving youth. The performance standards, with their emphasis on job placement upon termination from the program and on high average wages at placement, discourages SDAs from serving youth whose needs and goals do not coincide with these objectives. Youths between the ages of 16 and 21 more often seek help in completing high school, pursuing continuing education, or achieving remedial education and learning employability competencies. The length of time, costs, and outcomes of these activities hinder SDAs from meeting the performance standards.

To correct this, a common recommendation was that, instead of requiring each SDA to devote 40 percent of its funds to youth programs, SDAs should be required to ensure that 40 percent of their JTPA program participants are youth. It was pointed out that this would also help ease the administrative burden on SDAs, which must track dollars earmarked for youth under the present requirement.

Others recommended that the method used to calculate the portion of funds to be spent on youth should be changed. Rather than arbitrarily set 40 percent as the goal, the Act should set out broad guidelines and each SDA would establish a percentage based on the relative proportion of youth in the eligible population.

It was also suggested that SDAs could be enabled to meet the 40 percent requirement by raising the age limit to 25. High school dropouts and disadvantaged youth between the ages of 21 and 25 who are unemployed and lack basic skills are one of the most at-risk segments of the unemployed population. Their needs coincide with the objectives set out in the performance standards.

One witness described the problem with the youth program requirement in his SDA. For youth up to the age of 18, the objective is to encourage them to stay in school, which is relatively inexpensive. The result is that most of the funds under the 40 percent requirement are targeted at 18 to 21 year-olds, who make up less than 10 percent of the population. The SDA represented by this witness is a mix of rural and industrial areas.

In support of the suggestion that the age limit should be raised to 25, witnesses pointed out that in Indiana the situation facing these youth has been exacerbated as the manufacturing sector reduces the relative size of its labor force and the number of well-paying, unskilled jobs decreases. If unskilled youth between the age of 21 and 25 are currently employed in an industry that is laying off workers, they are liable to be the first to be laid off—and they are the last to be called back, due to their lack of seniority. Unskilled and disadvantaged youth in this age bracket need preparation both for entering the labor market and for adjusting to structural changes in the economy.

Another proposal to deal with the difficulties experienced under the 40 percent requirement was to extend eligibility to include youth who, due to financial difficulties, such as unemployment, have been forced to return home to live with their parents or family. In calculating eligibility, these individuals should be treated as a "family of one," which the Governor is permitted to do for handicapped adults.

A number of witnesses said that if restrictions on work experience for out-of-school youth were lifted, they would be able to meet the 40 percent requirement. Several witnesses recommended that Section 205 relating to try-out employment for in-school youth be extended to include out-of-school youth.

A few SDAs were particularly concerned about the method currently used to adjust the 40 percent requirement, which takes into account youth attending post-secondary institutions. Consequently, for SDAs in which there are large post-secondary institutions, the 40 percent requirement is increased to 45 percent or more. This problem is particularly evident in the Tecumseh SDA which includes Purdue University; the South Central SDA with Indiana University; and the East Central SDA, where Ball State University is located.

DISLOCATED WORKERS

Both management and labor strongly support the dislocated worker program established by JTPA's Title III. What concerns were expressed by management, labor and program participants in describing their experiences generally reflect the experimental nature of this new program. Witnesses expressed dissatisfaction with Title III's administrative requirements, which entail excessive paperwork and result in slow start-up time that hinders effective implementation of programs. In particular, the grant approval process should be expedited because early intervention is vital. A secondary concern is that there has been a proliferation of administrative entities at the local level which may require better coordination and perhaps even consolidation.

PROGRAM FUNDING

One of JTPA's major goals is to provide program stability through forward funding, by establishing a program year that begins after Congress' appropriation cycle ends. The purpose of this is to encourage advance planning by giving the SDAs 18 months notice of funds to be available to them. However, some SDAs are finding it difficult to do advance planning.

The goal of program stability has been at least partially thwarted by three factors: First, the substate distribution formula permits severe fluctuations in allocations; second, programs have different methods of allocating funds and consequently different operating schedules; and third, funds already appropriated may be withheld pending action at the Federal level.

First, in some SDAs, changes in unemployment levels have caused severe reductions in allocations. Two-thirds of the substate distribution formula for Title II-A is based on factors relating to levels of unemployment. Consequently, as unemployment rises or falls from one year to the next, SDAs will find their allocations changing accordingly. When this causes severe fluctuations in funding, program stability is threatened. The auto and steel industries, which dominate Indiana's manufacturing sector, are particularly susceptible to fluctuations in unemployment. Two of Indiana's SDAs will experience severe reductions in funds from Program Year (PY) 1984 to PY 85. The Northern Indiana Job Alliance will have a 28 percent reduction and the North Central Indiana SDA will have a 25 percent reduction.

Witnesses advocated holding SDAs harmless from such fluctuations under the substate distribution formula, as is already done in the distribution formula to the States. While the distribution formula to the SDAs is the same as that used for the States, there is a 90 percent hold-harmless clause for the States that phases in fluctuations in the distribution formula caused by decreases or increases in unemployment.

Secondly, although the dislocated worker program under Title III is forward funded, it is up to the Governor to decide whether these funds will be automatically passed through to the SDAs. In Indiana, SDAs must go through a grant approval process with the State and, in some instances, with the Secretary of Labor. Furthermore, under the grant approval process, starting and ending dates for these programs vary widely and are uncertain until a grant is finally approved. Consequently, it is difficult to do advance planning. (It should be noted that, starting in PY85, Governor Orr has directed that a portion of the State's grant for the dislocated worker program will be automatically distributed according to a formula among the SDAs.)

Finally, in early 1985, in an effort to reduce Federal expenditures, the Administration requested a rescission of funds Congress had already appropriated for PY86. This request affected a wide array of Federal programs. Although Congress did not approve the request, the Administration did not release the funds proposed for rescission until several months later, when the legally required time for Congress to act on the rescission request had expired. Consequently, $100 million for the 1985 summer youth program (Title II-B) was not released until the summer program was already in operation. Many Indiana SDAs had neither expected to receive nor planned for this money, and some of them were unable to use all of it on such short notice.

ADMINISTRATIVE REQUIREMENTS

In all SDAs, primarily among PIC members and program administrators, there is concern that the increased amount of paperwork required under JTPA threatens the continued involvement of the private sector. PIC members, and especially PIC chairs, are being overwhelmed by the onerous burden of administrative requirements that occupies too much of their time and interferes with their ability to focus on the quality of the training that is being provided in their SDAs.

These concerns were well expressed by one PIC chair:

> Those who crafted the JTPA legislation and the Department of Labor are to be congratulated for not burdening the system with the myriad regulations and restrictions that crippled CETA. It is the local flexibility and discretion of JTPA that is responsible for the private and public sector support it has received. . . . Continuing support by the private sector. . . will be largely dependent on the extent to which local flexibility and discretion can be maintained and expanded—and the degree to which the State will continue to support local initiatives and flexibility, and the support the SDAs can expect from the Department of Labor when designing and implementing innovative programs to serve their areas. A preoccupation with audit and liability issues can have a chilling effect on creativity and production if allowed to subtly rewrite the intent of JTPA legislation.

The increase in paperwork was attributed to several factors, including maintaining records for three or four separate programs on the following items: performance standards for youth and adults; limitations on expenditures for administration, training, and supportive services; service levels for target populations; and some unique requirements for each program. Finally, the development of annual and biennial SDA program plans becomes burdensome when changing State requirements make revisions necessary.

To reduce administrative entanglements, SDAs called for clarification of the roles and responsibilities of the different levels of government. Witnesses indicated that Federal guidelines are often open to a number of different interpretations. In conjunction with this, there is concern that SDAs have often been required to alter plans because of changing State requirements and policies. SDA representatives commented on the need for the State to be more accountable to localities for decisions that affect SDAs. This could be accomplished by giving SDAs a more active role in the development of policies.

Other suggestions for reducing burdensome paperwork requirements focused on striking a better balance among the program requirements, either by eliminating some of them or by changing the method of implementation, thereby achieving some streamlining.

Representatives from several PICs suggested that Congress should set broad guidelines for minimum services to target populations and then allow each SDA to identify the target populations in its area and set goals for services to those groups. This would eliminate a common complaint that SDAs are required to serve target groups that they do not have in their area, or that SDAs are encouraged to follow practices that are obviously contrary to the goals of the Act.

For example, a PIC chair for a very large rural SDA said that it is difficult to meet the requirement to serve participants in the Work Incentive (WIN) program because eight of the SDA's eleven counties no longer participate in the WIN program. Representatives of another, largely rural SDA are perplexed because the percentage of high school dropouts they are required to serve is so high that, in order to serve that level of dropouts, they would have to refrain from encouraging youth to stay in school.

Another PIC member wondered why it is necessary to track the cost limitations on training, administration and supportive services, so long as an SDA meets its performance standards and its goals for the target populations. He expressed confidence that private sector involvement will keep administrative costs down.

Finally, several witnesses called for the development of incentives to encourage and reward private sector participation on the PICs. Suggestions ranged from providing a tax incentive to establishing a Congressional or Presidential award to recognize exceptional community service on the part of a business representative, employer or company.

STATE JTPA PROGRAMS AND RELATED FEDERAL PROGRAMS

Generally, SDA representatives said that JTPA improves the opportunity for coordination with related programs through area-wide agreements and cross-referral of clients and applications. Some SDAs have established joint offices or cooperative agreements with related programs.

However, SDA representatives are concerned about the proliferation of State and local administrative entities under JTPA. They also spoke of the need for better coordination between JTPA and related Federal programs, such as Aid to Families with Dependent Children (AFDC), Food Stamps, the Employment Service, housing and economic development programs.

Some PIC chairs felt that the State operated JTPA programs could be more efficiently administered and coordinated with other programs if the funds were automatically passed through to the SDAs.

To improve coordination of JTPA with the education system, SDA representatives discussed the need to tailor classroom training to meet the needs of employers and trainees. As one witness said, "The mission of the vocational education system should be to teach the job skills that employers will need in the near future. . . . JTPA entities need to be more creative in helping employers package vocational training with OJT. The vocational education system needs to be more aggressive in identifying new skill needs in delivering the training."

According to a PIC chair:

> When given a choice between a paycheck and deferring against one while in school, not too surprisingly most eligible participants will opt for the paycheck. . . . As schools . . . redesign technical training to better meet employer requirements, . . . extend the training hours available per week and eliminate . . . the preoccupation with degrees, . . . classroom training will become more attractive. . . . Under JTPA, classroom training can take place hand-in-hand with on-the-job training. As classroom training becomes more relevant—and efficient—to the employer's needs, and as more employers become aware of the opportunity, this training option will be better used. . . . "Classroom" training will be much more appealing to the JTPA participant if there can be a realistic expectation of appropriate employment at completion. With some support from the States for the schools and input from the business community, we believe this issue will, for the most part, correct itself."

In another area, Lieutenant Governor John Mutz addressed the concerns of many witnesses when he suggested that better coordination could be achieved if Congress would decentralize the Employment Service by turning over control of its administration and funding mechanism to the States. ES and JTPA have similar goals, and decentralizing ES would make its delivery system more compatible with JTPA's and bring the administration of ES closer in relation to the problems it is addressing. Consequently, significant efficiencies would be achieved in program operations.

In this regard, the Indiana Employment Security Division is currently implementing a proposal to improve local coordination between ES and JTPA, in consultation with SDAs. The Indiana Employment Security Division is also in the final stages of implementing a State-wide computerized job matching system which will be available for use by JTPA staff.

Several representatives for the elderly called for improving coordination between the State 3 percent set-aside for senior citizens and the community services employment program, Title V of the Older Americans Act. These witnesses stated that coordination is currently hampered by the different eligibility requirements currently contained in the two Acts. JTPA requires a lower income for eligibility.

To improve coordination and better meet the needs of the elderly, many witnesses advocated applying Section 203(a)(2) to the 3 percent set-aside for seniors. Section 203(a)(2) permits up to 10 percent of Title II-A funds to be used for individuals who do not meet the income eligibility requirements but who have other barriers to employment. In addition, it was recommended that Social Security benefits not be included in calculating income for determining eligibility for the 3 percent set-aside program.

Pointing to JTPA's emphasis on serving welfare recipients, several witnesses expressed the view that the goals of both the Act and the AFDC program could more easily be met by changing certain AFDC program requirements that discourage participation by AFDC recipients. Many SDA representatives noted that AFDC recipients need to continue being eligible for other Federal programs, such as Medicaid and housing programs, for a short period of time as they make the transition to full employment.

Currently, AFDC benefits are terminated once the recipient is employed, but witnesses supported gradually phasing out AFDC benefits during the initial period of employment in order to improve the likelihood that the recipient will successfully (re)enter the job market. Witnesses said a phase-out of food stamps, health care and housing for beneficiaries who have gained employment is particularly important, and they noted that such a phase-out, reduces the risks involved for AFDC recipients who enter into training, making it a more attractive option.

A PIC chair for a rural SDA recommended eliminating Section 142(b), which requires that allowances, earnings and payments be counted as income for programs under the Social Security Act, because it provides a disincentive to participation in JTPA programs for AFDC recipients. As a result of this provision, some counties in his SDA reduce AFDC benefits when recipients receive needs-based payments to cover training costs, such as books, tuition and travel.

EMPLOYERS, TRAINEES, AND SITE VISITS

During their Indiana site visits, Senator Quayle's staff met with program operators, trainees and employers of trainees. Employers and trainees also provided testimony at the Subcommittee hearings chaired by Senator Dan Quayle, and they attended the staff discussion forums to talk about their experiences.

Employers and trainees were understandably enthusiastic about their successes. Employers generally expressed surprise and pleasure at the lack of paperwork or other bureaucratic requirements, often acknowledging that they had been suspicious about JTPA at first but discovered that their fears about working with a Federal program were not warranted. Employers said they would continue to be involved with JTPA as the need arose. Employers who had been involved with both the CETA and JTPA programs generally expressed greater satisfaction with JTPA.

But some witnesses cautioned that JTPA should not become a 'welfare program for employers.' One witness addressed this point in his testimony:

> The main thing that we are looking for is a fair business transaction. We don't give money to employers arbitrarily. We provide incentives for an employer to hire someone who he/she would not otherwise hire without the incentive. If no financial incentive is needed, we simply screen and refer our eligible individuals . . . We need to be careful in our use of financial incentives. We should not be buying a job that was available at no cost.

The Subcommittee staff saw many outstanding examples of successes during site visits. Some of these model programs are receiving national and statewide recognition:

Partners 2000 Summer Youth Program (Indianapolis Alliance for Jobs, Inc.)

Indiana Northeast Development (Northeast Indiana Private Industry Council, Inc.)

Carpenters Local 458 and the Town of English Summer Youth Program (Hoosier Falls Private Industry Council, Inc.)

Ball State University Summer Program for Handicapped Youth (East Central Indiana Private Industry Council, Inc.)

Senator **Quayle**. I hope we will be able to proceed quickly today. We have 22 witnesses to come before this committee. We must stick to some degree of constraint, even the chairman. We will have a time limit of 5 minutes placed on those presenting testimony. It is an honor to welcome Roger Semerad, Assistant Secretary of Labor. However, let me first ask Senator Simon for his opening remarks.

Senator **Simon**. I have no opening statement; I am looking forward to wisdom from 22 people.

Senator **Quayle**. We will receive for the record the statements of Senators Grassley and Kennedy who could not be here today because of other commitments.

[The statements of Senators Grassley and Kennedy follow:]

STATEMENT OF SENATOR GRASSLEY

Senator **Grassley**. Mr. Chairman, I would first like to compliment you for the excellent work you have done on the job training partnership act.

The main asset of the act is its flexibility, which gives State and local officials the ability to tailor programs to meet the needs for job training in their communities. The State of Iowa is a good example. As you know, Mr. Chairman, when the Job Training Partnership Act was created it was not envisioned that it would serve farmers or agriculture workers displaced due to the recent severe downturns in the agricultural economy. Under the act, the State of Iowa was able, in July 1984, to begin to serve farmers who had been forced to leave the farm due to economic conditions, providing valuable retraining and job placement services. Since that time, more than 300 farmers have been served under title III in Iowa, and it is estimated that another 385 will be enrolled in a new program being financed by a $500,000 grant from the Secretary of Labor's discretionary funds under title III.

In that connection, Mr. Chairman, I would like to take the opportunity to acknowledge and express my appreciation to Mr. Semerad. The reports that I am hearing from Iowa have indicated to me that Mr. Semerad's cooperation and concern have been a breath of fresh air at the Department of Labor in the management of the Job Training Partnership Act.

Mr. Chairman, I will not be able to stay around to ask questions of today's witnesses, but I will have some written questions for Mr. Semerad that I would like him to answer for the record.

STATEMENT BY SENATOR KENNEDY

Senator **Kennedy**. Mr. Chairman, I am pleased that the Subcommittee on Employment and Productivity is holding today's hearing on the Job Training Partnership Act Amendments of 1986. I commend Senator Quayle for his commitment to the JTPA Program and his hard work to ensure that it continues to be an effective program.

I would like to welcome Mr. Jim Darr who is the executive director of the Boston Private Industry Council who will be testifying before the subcommittee today. I know that Boston has developed many highly effective programs under the JTPA Program and I look forward to reviewing Mr. Darr's testimony regarding the 1986 amendments.

The issues addressed by the JTPA amendments of 1986 are important to increasing the effectiveness and stability of the JTPA Program. The successes of the Job Training Partnership Program have been documented by the Department of Labor and the National Alliance of Business since the JTPA Program inception. Statistics show that program participation has been high and that outcomes have compared favorably with the strict performance standards originally set by Congress.

Documentation of short term success is important but we must begin to look at the long term effects of participation in the JTPA Program and the long term job success of individuals who received the JTPA services. In order for the program to provide the best investment in training workers, we must provide a mechanism to gather this long term data. The 1986 amendments call for the Secretary of Labor to develop performance standards that will measure the long term impact of program participation.

Program stability for title II-A Programs which provide training for the economically disadvantaged is important to the integrity of such programs. In order to ensure that local programs have this stability as their unemployment rates drop, a provision which allows the Governors the option of setting an in-State hold harmless on local funding levels is included in the amendments. This will provide for gradual redistribution of funds among local service delivery areas. Programs that are currently functioning effectively will be able to adapt more readily to a shifting away of resources and continue to provide quality services to economically disadvantaged trainees. I know that this provision is particularly important to many of the Massachusetts service delivery areas.

Another important issue which is addressed in the JTPA amendments of 1986 is the need to provide local programs with the flexibility to serve potential workers who may require multiple services and more of an investment to reach the ultimate goal of employment. The amendments require that performance standards be developed that will provide programs the incentive to train economically disadvantaged workers who need many services and who may need more training time. These individuals are challenged hard by the training programs and our challenge is to ensure the opportunities for their participation in job training.

I have mentioned a few of the important issues that are addressed by the 1986 amendments. Passage of this legislation in time for the next JTPA program year beginning in July is critical to the continued success of many title II-A Programs across the country. I urge my colleagues to act swiftly on this legislation. By adopting the JTPA amendments of 1986, Congress reaffirms its responsibility to the recently created Job Training Partnership Act by recognizing the value of reassessment and fine tuning of this important program as it continues to serve the needs of our Nation's workers.

Senator **Quayle**. Here is our star witness who will lead off. We are delighted to have you, Mr. Semerad. I believe this is your maiden appearance before this subcommittee in your new role as Assistant Secretary for Employment and Training. You were here with your able assistants and Secretary Brock when he testified before the Subcommittee on Employment and Productivity on S. 1990, March 19, 1986.

We are here to examine S. 2069, the JTPA amendments of 1986. So, with no further ado, Mr. Semerad, welcome, and proceed at your pleasure.

STATEMENT OF HON. ROGER D. SEMERAD, ASSISTANT SECRETARY OF LABOR FOR EMPLOYMENT AND TRAINING, U.S. DEPARTMENT OF LABOR, WASHINGTON, DC, ACCOMPANIED BY ROBERTS T. JONES, DEPUTY ASSISTANT SECRETARY OF LABOR FOR EMPLOYMENT AND TRAINING

Mr. **Semerad**. Thank you, Chairman Quayle. I appreciate those kind words and the recognition that I am still a rookie, and I hope you will be kind to me as I proceed in my remarks.

We do appreciate the opportunity to appear before you on Senate bill 2069. Bob Jones, my Deputy, is here with me.

We think that—as we have said before—the JTPA embodies the best of the job training systems that this country has seen. I have worked through three of them in the last 20 years, and I think this one works the best. Obviously, we have got imperfections, and we need to always at least be alert for those opportunities where we can make course corrections to make it more efficient. Clearly, your field hearings surfaced a number of issues which this bill attempts to address. We would, I think, all agree that these are fine-tuning activities. The issues are indeed valid. They are valid because people are concerned about them. Whether or not they should be the reason for opening up JTPA to amendment, I think, remains to be seen.

As you know, our budget for 1987 addressed three issues of particular concern to us. They were the targeting of summer youth programs to areas with disadvantaged youth, enriching the summer program with basic education or literacy components, and allowing the Secretary to distribute funds for title III, the Dislocated Worker Program, with greater discretion and better targeting.

Beyond these recommendations, however, we have reservations about changing the law. One of the problems that we all remember with CETA was that there were frequent law changes, which caused confusion. People didn't get adjusted or always were wondering whether or not it was going to be changed, or they would ignore something with the hope that they could indeed get the law changed in the next go-around.

Mr. Chairman, my formal statement submitted for the record, addresses each proposed amendment, but in the interest of time and your long list of witnesses that you need to hear this morning, let me just discuss several of the amendments that are of particular concern to us.

Your amendment to improve stability of funding by allowing the Governor to hold harmless substate allocations—we agree this is a problem. But we think you should, or we should, reexamine the formula first. We believe the formula should both better target resources and provide some funding stability. We are examining alternative methodologies now, and certainly will continue to try to work through what the best options might be, and we will be glad to share those results, or at least our thinking, with the committee.

On the amendment to add the education component to summer youth programs, we support the intent. We are proposing to do something similar. We are going to pursue this with you to figure out the best way to add this important aspect to the summer programs. I have heard some folks say, well, the localities could do that now, and that is true. We also have got situations where some really neat things are happening in localities which have introduced a literacy or remedial education component. But it is not, by any means, widespread. And I think that the record would show that most of the young people that we are trying to serve, to give work experience or some income in the summer months, would benefit from some form of remedial education, or at the very least, vocational exploration in school-to-work transition kinds of activities.

On the matter of performance standards for youth competency and the long-term impact, we have under review a proposal to better assess the immediate and long-term program effects. We do not believe that an amendment to the legislation would be necessary to make these changes which I believe will be determined to be worthwhile and important.

Regarding the requirement that the Secretary adjust performance standards, we currently provide adjustment procedures to States, taking into consideration hard-to-serve young people and the length of their stay in the program. I think it is significant that 47 of the 50 States employ this adjustment methodology at this time. We prefer keeping that flexibility in the current law rather than changing it.

On the Presidential awards to businesses involved with JTPA, we think it is an excellent idea, and we want to explore it more closely with you. We do not feel, again, that an amendment to the law is required. And I can tell you, Mr. Chairman, that we are going to try much harder. Our meetings have started to address combining the summer youth programs with private sector efforts to hire our youth in the summer and see what kinds of scale we can get in both private sector and public sector employment during the summer months. And there may be something down the road, if we can link them up more closely, that still will give us lots of job opportunities for young people, even in spite of reductions under Gramm-Rudman-Hollings.

On the use of 6-percent incentive grant funds, we oppose exempting 6-percent funds from JTPA cost restrictions. We believe it could result in funds going mainly into administration. While we agree that clarification of the use of the funds needs further exploration, we think we first should consider what is possible under current law with regard to the incentive grant funds.

With respect to the amendment to establish a procedure for requesting advance rulings from the Department of Labor, we currently respond to many requests for advice on whether State policies are consistent with the law. We are becoming more active. We are trying to get to problems or questions before a problem exists. We think we are providing guidance and will try to do more of that kind of management review. We want to try to avoid "audit paralysis" whereby organizations are afraid to try new things or fully understand the range of flexibility that already is built into JTPA.

As you play out that scenario—and we have spent quite a lot of time talking about it—we think you run the risk of encouraging the States to pass all questions on to the Department of Labor in advance. Not only is that, I think, inconsistent with the intent of the law for the States to have that discretion, but it also puts an enormous burden on us and, I think, switches the responsibility from the States back to Washington, which is something I think we tried to avoid when you created this act.

We have taken care of several issues in the bill, in terms of qualifying dislocated farmworkers under JTPA title III, and we also are exploring the use of SDA's to recruit for the Job Corps Centers.

We have addressed the other amendments in the formal statement submitted to the committee. I would, in conclusion compliment you again for reexamining JTPA. We have got a system that is maturing. I think the numbers, the trend lines in terms of performance and our ability to target to the groups, are moving in the right direction. We think that the oversight hearings continue to play an important role to open up these issues for discussion and whatever changes are deemed important by the Congress.

We think the system is working well, albeit imperfectly, but we do not think it needs to change. The issues raised need to be dealt with, and I think that we are particularly pleased to have Senator Quayle and Senator Simon and the committee as good partners, as we pursue this course of action.

We want to do better. We want to address the concerns in a constructive way, and we want to work with you to find the necessary solutions.

We would be pleased to answer any questions you have.

Thank you very much.

[The prepared statement of Mr. Semerad follows:]

STATEMENT OF
ROGER D. SEMERAD
ASSISTANT SECRETARY OF LABOR
BEFORE THE
SUBCOMMITTEE ON EMPLOYMENT AND PRODUCTIVITY
SENATE COMMITTEE ON LABOR AND HUMAN RESOURCES

March 11, 1986

Mr. Chairman and Members of the Subcommittee:

I appreciate the opportunity to appear before you today at this hearing on S. 2069, which would amend the Job Training Partnership Act. Before turning to the amendments proposed in S. 2069, I would like to say a few words about JTPA.

First, I would like to pay tribute to Senator Quayle, not only for the key role he played in designing this landmark legislation, but for continuing to oversee the implementation and operation of the program. The oversight hearings you have held play an important part in assuring that the legislation is working as its authors intended.

Nearly all of us are convinced that JTPA is basically a sound and effective program. During the current program year, we expect that over one million disadvantaged youth and adults will be served in the basic block grant program, and additional hundreds of thousands will be served under the dislocated worker program. Our performance data indicate that, overall, JTPA is measuring up to the national standards we have set. For example, by one of the most critical measures of program success--entry into employment--the program is far exceeding our national standards. Nearly two-thirds of those leaving the Title II-A program entered jobs, and a comparable portion of those leaving the dislocated worker program found jobs, according to our data for Program Year 1984. The job placement rates for adults, welfare recipients and youth in the Title II-A program each were substantially above the national standards set for the program.

Furthermore, JTPA has fulfilled our expectations with respect to the principles underlying the Act--the major responsibilities given to the States consistent with Federalism principles, the involvement of the private sector, the focus on training and the emphasis on performance. States have shown that they can play the key role of managing the training and employment system. They effectively have assumed major planning, coordination and oversight responsibilities for the system.

The private sector, too, has responded to its challenge, and I believe the public-private partnership is working. Thousands of private sector employers across the Nation have become members of Private Industry Councils and State Job Training Coordinating Councils. The private sector is now involved in all stages of program development and implementation. Such involvement is essential if JTPA programs are to reach and serve both employers and participants in a meaningful way.

JTPA's focus on training and emphasis on performance also have been justified. JTPA is reaching disadvantaged clients as did earlier training and employment programs, but serving them at lower costs and with higher placement rates.

While I am convinced that JTPA is working well, I am aware that a variety of issues concerning the program have been raised at the oversight hearings you have held, and that S. 2069 is intended to address these issues. I think it very significant that each of the proposed amendments is intended to "fine tune" the program, rather than modify in any significant way the fundamental principles underlying JTPA. I agree that some of these issues are valid. The question is whether there are other ways of addressing these issues without opening JTPA to amendment.

As you know, we have proposed in our FY 1986 Budget to address several issues of concern to us. First, we believe that the Summer Youth Employment and Training Program should be targeted to those areas with critical youth unemployment problems, such as large urban areas with high concentrations of disadvantaged youth. Thus, we have proposed to replace the current formula with a procedure that will accomplish this objective. Second, we have proposed to enrich the Summer Youth Program experience for those who participate through the addition of literacy training for youths with identified academic deficiencies. Third, we have proposed that the Secretary of Labor distribute resources for dislocated worker programs, rather than distributing these funds by formula. This modification will allow these funds to be focused on areas with the most severe dislocation problems.

Beyond these recommendations, we have major reservations about changing the law. It has been stated often that one of the major problems with JTPA's predecessor legislation--the Comprehensive Employment and Training Act--was that the program lacked stability because the authorizing legislation was changed every few years. While JTPA has not been amended since its enactment in 1982, the burden is on us--the Congress and the Administration--to demonstrate that a particular concern or problem is so significant or onerous, or cannot be handled in other ways, that we must amend the law.

I now would like to turn to the amendments contained in S. 2069. Basically, the amendments fall into three categories: changes which we agree have merit, but may not require legislative changes; proposals which we have dealt with under current law; and proposals which we believe are unnecessary or inappropriate. I would like to address each of the proposed amendments in turn.

Section 2 of S. 2069 would require the Secretary of Labor to issue youth competency standards and prescribe performance standards measuring long-term program impact by

July 1, 1986, or report to Congress on why they have not been issued. We do not believe this amendment is necessary. Following careful study, we now have under review a proposal that we hope will help us better assess immediate and long-term program effects on disadvantaged youth and adults.

This section also would require the Secretary to adjust performance standards to include factors recognizing that certain participant characteristics justify additional costs or lower performance. We currently provide an adjustment procedure to the States which takes into account the hard-to-serve, average length of stay, and other economic and demographic features. While States are not required to make this adjustment, as many as 47 of the 50 States use our methodology in whole or in part. We would prefer to keep the flexibility of the current law, which gives the States responsibility for instituting the adjustment process.

Section 3 would make the eligibility criteria for the JTPA 3 percent set-aside for older individuals the same as Title V of the Older Americans Act. We have no conceptual problem with this amendment, which is intended to promote coordination between JTPA and the Senior Community Service Employment Program. However, it should be recognized that the amendment would place increased demands on scarce resources by expanding eligibility for 3 percent services. It also would set income eligibility criteria different from other

Title II-A programs. We believe the coordination envisioned by this amendment can be effected without the proposed change.

Section 4 would exempt the 6 percent incentive grants from the section 108 cost restrictions that currently apply to these funds. These restrictions limit the portion of funds that may be used for administration, supportive services, and work experience, and are intended to ensure that the funds are used primarily for training. We oppose this amendment, which potentially could allow all of the 6 percent funds to be used for administrative costs.

Section 5 contains two new enforcement procedures. The first would allow the Governor to withhold funds from Service Delivery Areas if there is a substantial violation of provisions of the Act. In addition, Private Industry Councils would be given an opportunity for a hearing before the funds are withheld or reallocated. We do not believe the proposed amendment is necessary. There already is authority under JTPA to take corrective action against SDAs which fail to comply with the Act's provisions. Furthermore, taking funds away from an SDA for failing to meet the 40 percent requirement will simply mean reduced services to youth in that SDA.

This section also would establish a procedure for SDAs and States to request a ruling from the Secretary on disputed questions of law. Such rulings could then be used as a defense in Labor Department and State audit proceedings. Again, we do not believe that this amendment is necessary. We currently respond to requests for advice on whether State guidelines, interpretations and definitions are consistent with JTPA and Federal JTPA regulations. In this regard we will become a more active partner, working with States in providing policy guidance. The proposed amendment might encourage the State to pass on all questions pertaining to the program to the Secretary for response, thereby abdicating the proper State role envisioned under JTPA. Furthermore, we will be taking a more active role in assisting States through management reviews. By giving States a "clean bill of health" we should help prevent the "audit paralysis" this amendment is intended to prevent.

Section 6 would authorize the President to make awards for outstanding achievements by business in planning and administering JTPA programs. We think the idea of recognizing these achievements is an excellent one, which we will explore more fully with you. However, such recognition can be accomplished without amending JTPA.

Section 7 is intended to improve the stability of funding for Service Delivery Areas by allowing Governors to apply a hold harmless factor in substate allocations. We agree that the lack of a substate hold-harmless provision has been a problem for many SDAs, but believe the problem is more fundamental, requiring a change in the underlying formula as well. The formula itself should seek both to target resources to where they are most needed, and to provide some measure of funding stability. As I mentioned, we are proposing to revise the method of allocating Summer Youth Program funds. We currently are examining alternative methodologies that will result in better targeting and stability and will be pleased to share the results of our analysis with you.

This section also contains an amendment that would allow the balance of 6 percent set-aside funds that are not used for incentive grants to be used for training and technical assistance for all SDAs, not just those which failed to meet performance standards. We believe this issue and several other issues that have been raised concerning the use of the 6 percent funds warrant further exploration. However, we first should consider which clarifications regarding the use of these funds are possible under current law, before we consider amending JTPA.

Section 8 contains two amendments pertaining to serving youth under JTPA. The first of these would include services to 14 and 15 year olds in determining an SDA's compliance with the requirement that 40 percent of their funds be spent on youth. We do not believe JTPA services should be broadened to 14 and 15 year olds beyond the preemployment skills training that is available to them under section 205 and their inclusion in Summer Youth Employment and Training Programs.

This section also would require the Secretary of Labor to report to the Congress within 6 months on implementation of the requirement that 40 percent of the funds be spent on youth. We will be glad to make this information available to the Committee as soon as the data are available. An amendment to JTPA is not necessary to obtain the information.

Section 9 authorizes the use of Title II funds for payment of youth incentive awards to recognize attendance or other achievements during the training period. While we agree with the intent of this proposed amendment, we cannot support it because it could result in the payment of stipends. The payment of stipends, of course, is contrary to one of the underlying principles of JTPA.

Section 10 contains several amendments relating to the Summer Youth Employment and Training Program. First, it would permit subsidized private employment in the summer program in accordance with the tryout employment provisions in section 205, but waive the current requirement that employers must hire the youth. I certainly agree that we need to examine the relationship between the Summer Youth Program and voluntary efforts of the private sector to hire disadvantaged youth during the summer months. There must be more creative ways to link the two. However, this specific proposal could be subject to abuse and would provide an unfair competitive advantage to some businesses. Furthermore, it might actually discourage current voluntary efforts of businesses to hire these youth.

This section also would require Service Delivery Areas to provide an education component in the Summer Youth Program for youth who do not meet minimum education standards. We support the intent of the proposed amendment. I mentioned earlier that we are proposing to add to the Summer Program a basic education component, which would include literacy training for those who do not meet minimum standards. We would be glad to pursue further with the Committee, the question whether this approach is the best way to accomplish our mutual intent, or whether it is necessary to amend JTPA to achieve this objective.

Section 11 contains two amendments relating to eligibility of dislocated workers under Title III of JTPA. The first is intended to qualify dislocated farmers. This amendment is not needed because we already have clarified to the States that dislocated farmers may be served under Title III. The second amendment permits administrative entities to serve out-of-state members of a dislocated worker group who are employed in a labor market area which crosses State lines. This is allowable under current law, but there is a requirement that there be an interstate agreement. We consider the current provision preferable, because it promotes a more coordinated approach to worker dislocation.

Section 12 requires the establishment of experimental programs to use Service Delivery Areas as recruitment, referral and placement sources for Job Corps enrollees. It also requires the Secretary to explore possible linkages of Job Corps with other training programs. This is something we have been pursuing, and, once again, does not require an amendment to the law.

Finally, section 13 would amend the definition section of JTPA to enable a youth aged 18 or over, who has been self-supporting but has taken up residence with family members because of lack of income to qualify for JTPA services if that individual is economically disadvantaged. We are not in favor of this broadening of JTPA eligibility. Currently, States have the authority to define family income and, in fact, could do so in the manner suggested by this amendment. Also, there already is a 10 percent "window" in JTPA for serving those who do not meet the JTPA income criteria.

In conclusion, Mr. Chairman, I again wish to compliment you for undertaking an examination of JTPA. Your oversight hearings and this hearing today play an important role in assuring that JTPA lives up to its potential. The hearings have shown that the major systems in JTPA are indeed working well and are not in need of change. They have raised a few issues that need to be addressed. We will work with you to address these issues.

Mr. Chairman, this concludes my prepared statement. At this time I would be pleased to answer any questions that you or other members of the Committee may have.

Senator QUAYLE. Thank you very much, Secretary Semerad.

Let me just get down to a couple of the basics here. You said that amending JTPA was somewhat of an open question, if I recall correctly. Do you think we ought to go ahead with some of these amendments? Obviously, there are some that you think can be implemented without legislation; others that cannot; and for some, there may be other alternatives, like the hold harmless provision. What are your thoughts about moving ahead with these legislative proposals and legislative changes?

Let me say at the outset, I am one of those people who is adamant about program stability. This was passed in 1982, and we have kept hands off now for 3 years—it will be 4 years before we actually see this bill implemented.

I have had many say, "Wait, can't we get this little amendment, and that little amendment, and this little change?" and we have said, "No. We have to see the system out there and see it implemented." To date we have held extensive oversight hearings on which we base these recommendations.

My question to you is—do you suggest that we should proceed with JTPA amendments through the authorization process as this subcommittee and committee would like to do?

Mr. SEMERAD. Well, Mr. Chairman, as I pointed out, a number of these amendments are what I would regard as fine tuning. I think most of these could be dealt with, now that we have got a public concern, if you will, some motivation, to fix them, and it has become very clear that there are concerns. I guess in principle, I would say if you could control the process, or if you can guarantee you could control the process, opening up the act to amendments probably is all right as long as you took my amendments and did not take the others.

But clearly, we are driven somewhat, I think, by reductions in the appropriations process to try, as Secretary Brock pointed out, to generate more yield from the dollars that we do have available. The changes in the three major areas that we have talked about really are an effort to generate greater yield by better targeting of the resources.

We think that we have got an epidemic on our hands in terms of illiteracy. We are very concerned about that. And if we can do some small part in encouraging use of our summer youth programs while we have got young people at risk, then yes, that is a big issue; that is not a fine tuning issue, that is a major issue.

Senator QUAYLE. If you look at that specific education component for the Summer Youth Program that you referred to, that is going to take authorization; isn't that correct?

Mr. SEMERAD. That is correct.

Senator QUAYLE. So, that can be a component of some of these amendments we are suggesting. I suppose there is always concern at the outset on being able to—it is a nice word—"control" the process. I understand what you are saying. You do not want a bill going through which is good intentioned, and then all of a sudden it gets loaded up with a lot of amendments that you certainly could not support.

But in our process, you also have the club called a veto down there, which is fairly persuasive from time to time—as a matter of fact, most of the time.

What we really need to do is to figure out what we can agree upon in these amendments. Believe me, if we had your specific push toward legislation and saying we have got to limit it to these elements of debate, the ones that you are interested in, the ones that we are interested in, and get an agreement, and then stick to it, I think we have a very good possibility of doing that. Of course, no one can predict with certainty the outcome, but obviously, you will get good, bipartisan support in this committee. We have got to have an understanding of what you want and what you do not want. And we also have to have a commitment that you have got to go through the authorization process, to make changes to the program, not the appropriation process because we are the ones who have done all the work. And I would hate to see this thing revert back to where you say, "Well, we just need a small amendment on the appropriation bills to take care of some of these things." That is just really a bad way to legislate around here. We have got enough problems with that.

So, the only thing I can say is that we have really got to get your specific help on coming up with what you like, what don't you like; what are you really going to do, implementation changes through regulation, the Executive power that you have.

I am a strong supporter of your literacy component and education component for summer youth. I think it is very, very important that those who do not have any basic education, that during the summer youth programs, they get some remedial training and some education along with the job opportunities.

One other specific question that I have is on the hold harmless. That is a big concern in my State, and it came up time and time again around the country—that we had these various fluctuations from SDA to SDA and the substate allocation.

Now, it seems to me that what we are talking about as an interim step is to have the 90 percent hold harmless and then figure out if we are going to come up with a new formula. If you are suggesting a new formula, we can take a look it.

But I want to tell you, in the legislation process, and that is the most controversial thing that ever comes through here. We can spend 2 hours and get down to the substantive detail, about program operations which I think is, in many respects, far more important than the funding formula and we will spend 2 days trying to get an agreement on the funding formula—and make sure you take care of Indiana, Illinois, Connecticut, Florida, and there are others that we have to make sure are taken care of.

So I would think that maybe as an interim step, unless you have some great, big, grand compromise you are ready to spring on us, that the hold harmless might be a good step forward for at least this year, and then we will worry about a formula down the road.

Am I barking up the wrong tree on that? What do you think?

Mr. **Semerad**. Bob, do you want to comment?

Mr. **Jones**. Senator, I think you are absolutely correct, and we would agree and support that position. Our only basic concern is that the fluctuations we have seen for the past 2 years are basically caused by the 4½-percent limit or in the 6½-percent ASU part of the formula, and we ought to deal with that at some point, because we have two-thirds of the formula causing us a tremendous amount of fluctuation and yet not being used if the hold harmless is put in.

Also, the hold harmless simply would hold the current allocation process harmless, whether that is appropriate or inappropriate. But it clearly is the only interim measure, I think, that is available to you without addressing the issues——

Senator SIMON. If my colleague would yield, he mentioned two possibilities. One is hold harmless, and the other is 90 percent hold harmless. Which do you——

Mr. JONES. Well, I think, Senator, the traditional 90 percent hold harmless is in place at the State level now, and you probably would have to see that through at the substate level as an interim measure.

Now, ultimately, when you open up the formula and try to stabilize it—and I think the II-A formula particularly does need to be stabilized more to limit fluctutions—whether you keep that at 90 or 80 or something else is a valid issue. But right now, I would not suggest anything other than that.

Senator QUAYLE. Mr. Semerad, thank you. We have really got to get down to what this legislation is going to look like, because we are going to proceed, and we need your help.

Mr. SEMERAD. You have our help and our commitment——

Senator QUAYLE. And support. We need your support, too.

Mr. SEMERAD [continuing]. And our support.

Senator QUAYLE. OK, great. Senator Simon.

Senator SIMON. You mentioned, and Secretary Brock testifying the other day mentioned literacy, an area that interests me a great deal. Of 158 nations in the United Nations, we are 49th in literacy.

This morning's New York Times has a story where the Roman Catholic bishops in Haiti want to have a literacy effort there. The Haitians are two-thirds illiterate; they hope to wipe out illiteracy in 5 years. We have roughly 23 million functionally illiterate adult Americans, and we are adding about 1 million a year to that number.

If Haiti can do something, we ought to be able to do something.

I guess my question is what is happening now on the literacy front in connection with this program, and what are you planning?

Mr. SEMERAD. Senator, I think that not nearly enough is happening on the literacy front as far as JTPA is concerned. As I have pointed out, there are a number of communities that have addressed this issue, because clearly the flexibility is in the law today to have a literacy component in the summer youth programs. It is not something that we require. Our feeling is we need to put a little more emphasis, a little more muscle, into it.

We are going to encourage States to do more up and down the line. Again, I think that a lot of the focus in the conversation that you had with Secretary Brock pointed out—and when Secretary Bennett was here, also—that we need to have a lot more activity up and down the line.

Now, there is going to be some major work in the media in terms of alerting the public to the problem. You say 23 million people plus. Unfortunately, with the dropout rate as high as it is, that number is not going to get any smaller in the foreseeable future. But there is going to be a major media push on this, and in conjunction with it we hope to help people find ways through our programs to become literate.

What the Education Department is doing, I do not know. Education is an important part of our activities, and anything that we *can* do within the programs we administer where illiteracy is a problem, I think we are going to have to do. The Secretary has made that commitment very strongly, and I certainly share your concern and support anything that we can do.

But I think it is not a new problem. Of course, we have a lot more people than Haiti. But there is nothing magic about it. We know how to do it. It is a matter of national will and priority and people expecting to take the time. And there is an awful lot of one-on-one kinds of activities and interventions that are required to teach people, as you know, to read and calculate.

Senator SIMON. I agree with your analysis that it is a matter of will, and we really have to move on it. I guess my message to you is, it is a priority, at least in the minds of some of us.

Let me ask a more general question. In view of the rising unemployment and the most recent statistics—in Illinois it was a 1.8 percent jump in unemployment—does it make sense as Congress takes a look at JTPA and other items in the budget that we do more than level fund JTPA?

Mr. SEMERAD. Excuse me. Do more than——

Senator SIMON. Basically, as I understand it, the President's budget is a level funding; but with unemployment rising, with the need increasing, as we reallocate funds—and there is going to be some reallocation, as I think everyone in the administration knows—does it make sense to put a little more money in this area?

Mr. SEMERAD. Senator, I think that the jump in the unemployment figures in the two other States besides Illinois really were quite externally created. I think the jump in Illinois was more of a structural problem, deep seated, not something at the whim of Mother Nature.

I think that over time we have had decreasing unemployment rates. Many of our States are much healthier because of that. I would say that adding more money into JTPA at this time would not necessarily alleviate unemployment at a greater rate.

However, I do think that we need to do more in dealing with retraining and literacy—the issues we have talked about this morning. We have got to focus better. And I think that targeting the title III money with greater discretion and faster, and targeting the summer youth money more accurately to where the young people at risk are--those kinds of things can go a long way. But clearly, in regard to the ability and the capacity for communities and State to adjust, the solutions are going to lie in the communities, in the States. And I think what we are trying to do here at the Department of Labor is basically just to be a good partner and not provide barriers or false rules that distort the system. We want to be a good partner. But I think we also do not want to totally abdicate our leadership role in encouraging things such as literacy and a better targeting mechanaism, and I think that they would go a long way.

We have got to get into the retraining business as a matter of course, and people have got to be thinking along those lines rather than just making sure that we throw up numbers and formulas that people have to comply with.

So I think that the problem is more than just 1 month's unemployment. The problem clearly is how this Nation is going to learn to adjust quickly with minimum trauma to what we all understand is going to be a regularly changing horizon from now on.

Senator SIMON. Thank you.

Thank you, Mr Chairman.

Senator QUAYLE. Thank you, Senator Simon.

Thank you, Mr. Semerad. We look forward to further partnership, as you put it, between us, and really getting down to specifics on what we are going to do on this bill.

Mr. SEMERAD. Thank you, Mr. Chairman. We appreciate the opportunity to be here this morning.

Senator QUAYLE. Thank you very much.

Our next panel includes: Joan Hammond, Arthur Holland, Pierce Quinlan, John Thomas, and Leo Toupin.

Welcome to this panel. We are going to impose what we call the "4-to-5-minute rule." That is, we will ask each of you to summarize your statements in 4 to 5 minutes. We have a little light down there that will switch to green when we call on you, and red when your time is up.

Since I have one of my good friends from Indiana here, I think I might go out of order. Leo, we are glad to have you here. We have done a lot of work back in Indiana making sure that those PIC chairmen's views on how this law ought to be changed were heard and ensuring that your sentiments and opinions were made known at the State and Federal level. It is a delight to have you out here.

Since you are from the great State of Indiana, why don't you lead off this panel. Pull that microphone right up to you so everybody can hear you and speak right into it.

STATEMENTS OF LEO TOUPIN, CHAIRMAN, HOOSIER FALLS PRIVATE INDUSTRY COUNCIL, PRESIDENT, INDIANA PIC CHAIR ASSOCIATION, AND VICE PRESIDENT OF INDUSTRIAL RELATIONS, JEFF BOAT, INC., JEFFERSONVILLE, IN; JOAN HAMMOND, DEPUTY ADMINISTRATOR, OHIO BUREAU OF EMPLOYMENT SERVICES, STATE OF OHIO, COLUMBUS, OH, ON BEHALF OF THE NATIONAL GOVERNORS' ASSOCIATION; HON. ARTHUR J. HOLLAND, MAYOR, TRENTON, NJ, AND CHAIRMAN, EMPLOYMENT SUBCOMMITTEE OF THE U.S. CONFERENCE OF MAYORS; PIERCE A. QUINLAN, EXECUTIVE VICE PRESIDENT, NATIONAL ALLIANCE OF BUSINESS, WASHINGTON, DC; AND HUBERT PRICE, OAKLAND COUNTY COMMISSIONER, ON BEHALF OF NATIONAL ASSOCIATION OF COUNTIES, WASHINGTON, DC

Mr. TOUPIN. Thank you very much, Mr. Chairman.

My name is Leo Toupin. I am here in my roles as chairman of the Hoosier Falls Private Industry Council, which is seven counties in southern Indiana, and as president of the Indiana PIC Chair Association.

Since I have consulted with most of the other PIC chairs, I can safely say that on behalf of both organizations, we wish to endorse the gist of S. 2069.

As you have stated, Senator Quayle, the purpose of the amendments proposed in this act is to improve program stability and to lessen burdensome administrative requirements, improve services to youth and the hard-to-serve, and strengthen enforcement. We agree with that.

However, as business people committed to making JTPA work, we find some points in the bill which need some fine tuning. My prepared statement describes our reaction to each amendment in greater detail.

In this presentation, I will simply highlight some of these issues.

Senator QUAYLE. Your entire statement will be a part of the record.

Mr. TOUPIN. Thank you.

However, before I go into S. 2069, we do have a big concern about an administration desire to change summer youth programs to serve only the 200,000 population, the so-called urban problem. We strongly oppose that.

In the State of Indiana, maybe two and possibly three SDA's would be able to use the Summer Youth Program. It has been an extremely successful program in the rural SDA's, and the SDA where I am chairman, almost 60 percent, if not at least 60 percent, of our SDA is rural. We have had good success with the program. We have insisted that the youth be properly supervised, their work be constructive, and we have cooperated with local labor and local LEO's. It has created a good bond between the LEO's and the PIC's.

Turning to specific provisions of Senate bill 2069, we support provisions that would improve services to youth, such as and including services to 14 and 15 year olds. We believe the earlier we can reach these young people, the sooner we can teach them a proper work ethic and develop some character.

We would, however, like to propose some modifications. We strongly urge extreme caution in providing youth incentives programs. We are concerned that this could develop into stipends, and we are opposed to that.

We support permitting try-out employment for summer youth employment into the private sector, but again urge strongly that that remain strictly with the youth and not be carried over into the other programs of title II-A.

Although we support the inclusion of education components in the Summer Youth Program, as Mr. Semerad testified to, we feel that with the budget constraints, it must be left up to the Private Industry Councils to decide, unless there is further authorization of money for that purpose.

Most importantly, we support mandatory youth competency standards because they promote character development and build sound work ethics into the youth. Separate standards, however, are necessary for in-school youth and out-of-school youth. When you mix them together, you have got a mish-mash that we are not too sure at local level of the success. It affects our performance standards; even though we have met standards in both, it does not work.

Turning to other areas of concern, we support the 90-percent hold-harmless provision. We feel that the SDA's should be treated the same way as the States. Fluctuations in staff levels create havoc, and we have a couple of SDA's in Indiana who are struggling with that problem right now.

Of course, we support the inclusion of self-employed farmers into the Title III Program.

But we also have a problem, particularly in the border areas, where our SDA is, where a company closes down, and the dislocated workers there are not necessarily of the State. And we have to then begin dealing with other States in order to make it work. We feel that we should be able to deal with that exclusively.

My red light is on.

We strongly support the Presidential awards, as well.

Thank you.

[The prepared statement of Mr. Toupin follows:]

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TESTIMONY OF LEO R. TOUPIN
ON SENATE BILL S. 2069

My name is Leo Toupin. I am here today in my roles as Chairman of the Hoosier Falls Private Industry Council and the Indiana PIC Chair's Association.

On behalf of both organizations, I wish to endorse the thrust of S. 2069. As Senator Quayle has stated, the purpose of the amendments proposed in this Act is to "improve program stability and to lessen burdensome administrative requirements, improve services to youth and the hard-to-serve, and strengthen enforcement. As business people committed to the goals of JTPA, we find some points in the bill which need some fine tuning. I will discuss these as they appear in the bill.

First, regarding mandatory youth competency standards which apply to all SDAs (page 1, line 11ff), we agree that this is a good idea. Among the most important roles of youth employment programs are character development and the shaping of a sound work ethic. The earlier we begin this process the more likely we are to enable young people to find useful employment. Well developed, measurable standards in all programs will help us to determine if these objectives are in fact being met. However, we also recommend that separate standards be developed for the in-school and out-of-school youth programs. The goals and intentions of these programs are different, so performance standards should be developed which are appropriate to each program and participant group. Second, in regard to training programs for older individuals (page 2, line 20ff), we agree that the eligibility criteria in Title V of the Older Americans Act should apply to the JTPA Older Workers Program. The elimination of the conflict in criteria will eliminate public confusion over eligibility requirements. However, we would suggest an additional amendment as point C (after Page 2, line 26), which would exclude social security income as a criteria for eligibility determination. Inclusion of social security does not pose a particular problem in the Hoosier Falls Service Delivery Area. However, there are some parts of Indiana, especially large urban areas, where disproportionately large concentrations of older persons make it difficult for SDAs to meet the performance goals.

Third, we fully support the proposal for a program of presidential awards to recognize effective and consistent participation of the business community (page 5, line 5ff). Such participation gets to the very heart of JTPA's success. However, we believe the amendment omits one group of participants who should be recognized. These are the companies who consistently support JTPA by enabling top level executive personnel to spend many hours each year away from their desks on JTPA business. We recognize the individuals for their services, but they could not serve without the support of their own employers.

Fourth, we strongly support the provision regarding a hold harmless in the substate distribution formula with modification.

Fifth, in regard to including 14-15 year olds in youth eligible for services (page 7, line 5ff), we have no difficulty with this change. It has always been optional. By making it mandatory, we will reinforce the benefits of character development and instill a good work ethic discussed in point one.

Sixth, we fully support the provision to tighten enforcement of the 40 percent youth spending requirement (page 7, lines 9-18). Given the present formula which allows for variations based on local population structure, this generally does not seem unreasonable. But we want to add one qualifier. Several Indiana College towns have unusually large student populations. These are primarily temporary residents who are not in the JTPA target population. Nevertheless, the presence of these students skews the local youth population figures and makes it difficult for the SDA's to meet their youth spending performance standards. Thus, in the case of such communities, we recommend that the formula be based on permanent youth population, thus eliminating the inflation factor created by the college population.

Seventh, in regard to the proposal for youth incentive awards payments for attendance and achievement during the period of training (page 7, lines 20-23), we support this suggestion, but urge that it be implemented with extreme caution. Under no circumstance should such incentives be either interpreted or implemented as stipends. In order to prevent abuses, we recommend that the incentive program be reviewed regularly and that remedial action be taken if so warranted.

Eighth, we support the proposed try-out-employment waiver for private sector employment in the summer youth employment program (page 8, lines 2-7). We want to stress that we support the waiver for summer employment only. Indeed, we think such a waiver will allow many youth to obtain valuable private sector experience and skills which they otherwise might miss. But we also believe it is essential to maintain the incentive for employers to hire youthful trainees as full time employees once their training period is completed. This might be lost if the waiver is extended to year-around programs.

Ninth, in regard to the proposal on page 8, lines 11-12 that summer youth programs shall provide an education component for youth who do not meet minimum education standards, we urge that "shall" be changed to "may". Certainly such an educational opportunity is desirable. But at a time when local JTPA budget allocations are being reduced, it is imperative that PICs retain the budgetary flexibility necessary to meet locally established priorities.

Tenth, as residents of a state which has suffered from the current crisis in agriculture, we strongly support the amendment's provisions (page 8, line 23ff) which extends the definitiion of dislocated workers to include self-employed farmers who have become unemployed because of general economic conditions or natural disasters. We also support the provision (page 9, lines 9-13) which allows grant recipients to serve dislocated workers who reside in another state. SDAs and local employers should as a matter of fairness, consistency, and simplicity be able to offer the same benefits and services to all their laid-off employees, regardless of place of residence. As an additional provision, we recommend local match be eliminated. In many cases, firms close because of bankruptcy and are unable to provide the match. In other situations, prevailing economic conditions make it difficult for SDAs to develop the match necessary to leverage the Title III displaced worker funds otherwise available to the community. Thus, it is frequently the case that the communities which are most in need of the displaced worker program are those least able to fund them. In our community, where four companies recently laid off a total of 700 workers within one month, it has proved an extremely difficult task to develop the local match.

Eleventh, in reference to the proposal to establish experimental programs to improve coordination between JTPA and Job Corps training programs (page 9, line 17ff), we support any effort to achieve better coordination among employment and training programs. But, we must be careful not to move beyond coordination to a situation which requires JTPA programs to accept Job Corps enrollees without regard to local PIC priorities. The essence of JTPA's success is the flexibility which enables PICs to tailor their goals and objectives to meet local employment and training needs. Local cooperative agreements between PICs and Job Corps should be encouraged as a means of improving coordination, but these should be voluntary, not mandatory.

Twelfth, in regard to definition of family to determine income eligibility for young people living at home (page 10, line 5ff), we fully agree with the intent of this amendment. But we urge that the upper age limit be extended, perhaps to thirty. It has been our experience that many young adults, after having been independently employed for some time, lost their jobs and are forced to return to their parents' home. They are often in need of the training which is available through JTPA but consideration of their parents' incomes make them ineligible for services. By extending the age limit, thus defining such individuals as a household of one, we make it possible for them to obtain the skills necessary to live independently. However, as a means of preventing abuse, we recommend that an individual become eligible for such JTPA services only after six months of unemployment and residence with a family member. We recognize that the 10 percent provision allows us to serve some of this population. Such an addition to applicant eligibility determination would provide more flexibility in the program.

Finally, we wish to address a concern regarding the administration's proposed changes in the allocatin of funds for summer youth. Our information indicates that monies may be allocated only to urban areas which exceed 200,000 in population. This would preclude any monies being provided to our SDA for summer youth programs. Within our rural SDA, we have been able to provide services and projects that our small communities could not have completed any other way. Moreover, this proposal implies that youth unemployment is only an urban problem. In many rural communities, youth unemployment is a serious problem. Indeed, JTPA's summer youth programs hold together the partnership between the PIC and the local elected officials. The elimination of rural summer youth programs might destroy that partnership. We strongly urge that this proposal be given serious review.

In conclusion, let me say that the Hoosier Falls Private Industry Council and the other Indiana PICs strongly support the goals set forth in S. 2069. We believe with Senator Quayle that "the increased autonomy and flexibility accompanying JTPA's decentralized approach is essential to the continued involvement of the private sector." The suggestions and recommendations which we have offered are for the purpose of fine tuning the Act and strengthening its goals of flexibility and local autonomy.

ADDENDUM

With regard to six percent funds allocated by the Governor for technical assistance and incentives, we agree that technical assistance should be provided on a continuous basis---not just when a SDA fails to meet standards. We also support the concept that incentive money is awarded for exceptional performance. Such rewards allows the SDA to develop innovative programs or enhance services. Therefore incentives should not be subject to cost limitations.

Senator **Quayle**. Next, Joan Hammond, deputy administrator, Ohio Bureau of Employment Services in Columbus, on behalf of the National Governors' Association.

Welcome.

Ms. **Hammond**. Senator Quayle, Senator Simon, Senator Grassley, it is my pleasure to be with you today.

I really wanted to begin by commending Senators Quayle and Kennedy for not reinventing the wheel, but refining rather than redefining this important piece of legislation.

My Governor, Richard Celeste, views the Job Training Partnership Program in Ohio as the flagship program which drives his efforts to create within our State a comprehensive, coordinated, more effective education, employment, and training system. Therefore, we appreciate the proposed amendments we are discussing today and understand that they do preserve the underlying congressional intent and philosophy of JTPA and feel that is important.

However, we do feel a discomfort in that the strength of the legislation, which allows important flexibility to Governors to govern as they know best and to allow their local partners to do the same, may be compromised within some of the proposed amendments. Let me give you a few examples.

The National Governors' Association has been one of the strongest advocates of program accountability, post-program performance, youth competency measures, and adequate Federal reporting. With our new partners at the Department of Labor, Secretary Brock and Assistant Secretary Semerad, in whom we have a great deal of confidence, we would suggest that the proposed implementation mandate be held in abeyance.

But more troublesome, I think, is the plan that the Secretary adjust the performance standards to encourage service to the hard-to-serve. In Ohio, Governor Celeste, with whom the discretion for such adjustments presently rests, as with other Governors, has done just that. He has exercised his discretion. And I would submit that that authority should remain with the Governors.

To turn to youth issues, again the need to recognize and reward youth achievements is an issue of importance to Governors. In Ohio, a major thrust of Governor Celeste's administration is his youth initiative. Incentive awards, given as a part of Ohio's Youth Hall of Fame, are key ingredients.

It would seem that dealing legislatively with the issue is not necessary. We would suggest, however, that report language might clarify that such awards may be considered allowable training costs, also, when they are integral aspects of program design.

We applaud your support of a remedial education component in the Summer Youth Program. Early in the first 9 months of the transition year of JTPA, Ohio's 30 service delivery areas were awarded $100,000 each by the Governor to initiate or expand computer-based remediation programs for youth and adults.

Other Governors have made similar commitments. Again, mandating such activity would interfere with State and local discretion. And our experience does not support the need for such a mandate.

To turn further to title III, the objectives of the amendments, again, are laudable. The Governors have not found existing language so confining as to prevent them from expanding definitions of and service to groups of workers needing readjustment. Recently, Governor Celeste did just that, relative to farmers and those in the building and construction trades.

Interstate compacts have not been a problem, and there has been shared provision of service across State lines.

There are two remaining concerns. We do appreciate the proposed substate allocation hold-harmless solution offered Governors. However, we think Governors ought to have the ability to define and apply the hold harmless without restrictions.

In addition concerning enforcement, we have grave reservations about the procedure proposed for SDA's and States to seek resolution of disputed questions of law. The procedures as stated will force Governors to consult the Secretary of Labor in most, if not all cases. The result could be abdication of State administrative responsibilities, as well as department overload.

In conclusion, let me note our whole-hearted support for the coordination efforts between the 3-percent Older Worker Program and the Older Americans Act; for the use of 6 percent funds for preventive technical assistance to head off program failures; for the exemption of 6 percent incentive moneys from prescribed cost limitations, and for the option of Governors to withhold funds to ensure SDA compliance and better management.

I feel that the JTPA system is alive and well. We in the States appreciate the interest and support of the members of this subcommittee and your leadership and consider you our partners at the Federal level. We value the opportunity to appear before you today.

Senator QUAYLE. Thank you very much, Ms. Hammond.

[The prepared statement of Mr. Hammond follows:]

National Governors' Association

Lamar Alexander
Governor of Tennessee
Chairman

Raymond C. Scheppach
Executive Director

STATEMENT OF

JOAN HAMMOND
DEPUTY ADMINISTRATOR
OHIO BUREAU OF EMPLOYMENT SERVICES

ON BEHALF OF

THE NATIONAL GOVERNORS' ASSOCIATION

before the

SUBCOMMITTEE ON EMPLOYMENT AND PRODUCTIVITY
COMMITTEE ON LABOR AND HUMAN RESOURCES
UNITED STATES SENATE

ON

JOB TRAINING PARTNERSHIP ACT AMENDMENTS

March 11, 1986

HALL OF THE STATES · 444 North Capitol Street · Washington, D.C. 20001-1572 · (202) 624-5300

Good morning, my name is Joan Hammond. I am Deputy Administrator of the Ohio Bureau of Employment Services. I am pleased to have this opportunity to present testimony on behalf of the National Governors' Association on S.2069, a bill that would amend the Job Training Partnership Act (JTPA).

Let me begin by commending Senators Quayle and Kennedy for resisting the temptation to redirect this important program. The bill before us today would refine rather than redefine what we view as a flagship piece of legislation that is working well throughout the nation. JTPA fundamentally altered the governance of our nation's employment and training delivery system. Congressional oversight hearings and research studies to date suggest that, while not without some problems, JTPA has successfully shifted significant powers and responsibilities in the planning, management, and oversight of federally-supported training and employment activities from the federal government to the states and the private sector. We are pleased that the proposed amendments contained in S.2069 preserve the underlying congressional intent and philosophy of the Job Training Partnership Act. Although we are generally supportive of the intent of the modifications proposed, we are reluctant to fully endorse all of these amendments. Our reservation grows out of a fear that over refinement could result in JTPA's greatest asset -- flexibility -- being compromised.

Performance Standards

The National Governors' Association has been one of the strongest advocates of post program performance standards, youth competency measures and adequate federal reporting to support the performance standards system since the inception of JTPA. We have testified before Congress when we thought that the Department was not adequately carrying out its responsibilities in this regard. At this time, however, we are heartened by the strong support for performance standards being given by Secretary Brock and Assistant Secretary Semerad. We believe that your interest in monitoring the implementation of these important aspects of the performance standards system is extremely helpful and will strengthen the Department of Labor's ability to implement the provisions we have sought for some time. In the interest of giving the new Administration time to work together with the states on the issue administratively, we suggest that you consider holding the proposed requirements to implement both by July 1, 1986 in abeyance pending the outcome of these discussions. Moreover, we believe that existing law is sufficiently clear in requiring the establishment of post program performance measures.

One of the areas under discussion within the JTPA system is how the system should pay for the cost of operating follow-up systems once they are required. Discussion has centered around the possible use of the 6% set-aside for this purpose. The Subcommittee might consider a technical amendment to clarify that states can use 6% funds for the establishment and maintenance of follow-up systems. We believe this amendment will facilitate the development of valid post program data systems needed to improve program effectiveness over the long term.

We are at a loss to understand the necessity of the proposed paragraph (4). The vast majority of states presently use the Department of Labor adjustment methodology which takes into account the characteristics of the population being served. Some states have developed their own methods of adjusting for participant characteristics in developing SDA level performance standards. It is the adjusted standards negotiated by the state and the service delivery area which are operative for incentives and sanctions, not the Secretary's national numerical performance standards. The discretion to adjust SDA standards based on local conditions should continue to rest with the Governor. We, therefore, would not support this amendment.

Youth

We fully support the proposed amendment to include 14 and 15 year olds within the coverage of the 40% youth expenditure requirement. We assume their exclusion in the original legislation was simply a technical error.

Although we concur with the Subcommittee on the importance of recognizing or rewarding youth for achievements attained during their participation, we do not believe that a legislative amendment is necessary. Such incentives can, and are in some jurisdictions, now being given to deserving youth in both the summer and year round programs. Report language might clarify that such awards may be considered allowable training costs when they are integral aspects of the program design. The Department of Labor might be encouraged to promote the use of performance incentives for individual participants through demonstration activities.

We support your request for a report on the 40% youth expenditure requirement. We encourage you to expand the request as well to cover equitable service provisions.

Despite the fact that we fully appreciate the Subcommittee's interest in promoting the inclusion of more remedial education activities within the summer program, we are reluctant to support a legislative amendment mandating such a component. This would be the only mandated activity and would impinge on local discretion to design and implement programs to meet community needs. We believe such an amendment would set an undesirable precedent which harkens back to the categorical nature of some previous programs. We believe that the Department of Labor should be encouraged to provide incentives to the system to implement such components on a voluntary basis.

Set Asides

The NGA has long advocated the option for states to use 6% funds for preventive technical assistance to head off performance problems before they lead to failure to meet performance standards. It appears to us that report language clarifying congressional intent related to permissable uses of these resources would be adequate.

Exemption of incentive grants from prescribed cost limitations would provide desirable flexibility to address the needs of hard to serve individuals and may encourage greater experimentation within the system.

Inconsistencies in eligibility criteria between the older worker program under the JTPA three-percent set-aside and Title V Community Services Employment Program under the Older Americans Act have been cited as problemmatic in JTPA oversight hearings and elsewhere. The proposal to make the criteria comparable will facilitate integration of the two programs and enhance services available to older workers. We, thus, support this amendment.

Dislocated Workers

The proposed amendments address valid operational issues that have come up in implementing the Title III program. States do not find existing language so confining to prevent them from expanding their definitions of dislocated workers to include one group of self-employed individuals -- namely, dislocated farmers, -- and negotiating interstate compacts to enable states to serve individuals across labor market areas. This may be another case where report language may serve the desired purpose.

Enforcement

It would appear that the recommendations related to enforcement are intended to give the Governors the tools to better accomplish their oversight and management responsibilities. The option for states to withhold funds from future SDA grants for failure to meet JTPA provisions and the requirement to subsequently reallocate those funds among SDAs that are in compliance will contribute greatly towards reaching an appropriate level of accountability within the system.

We do, however, have some serious reservations concerning the procedure proposed for SDAs and states to seek resolution of disputed questions of law. First, the proposed procedure whereby a state assumes audit liability if the state elects to resolve a dispute submitted by the Private Industry Council, will undoubtedly encourage the states to transmit such requests to the Secretary for determination. This could result in the states abdicating part of their key role in administering JTPA to the federal government. This potential shift of responsibility to the federal partner, violates, it seems, the spirit and intent of the Act. Second, program administration will suffer since there will be inevitable delays in the federal government responding to requests for resolution on the disputed issues. Finally, even in the case of states which choose to settle their own disputes, states will have a difficult time in settling any disallowed costs from their limited 5% set-aside funds. The service delivery areas, which receive 78% of the funds, are in a much better position to work with the states in jointly resolving any liability which may result from audit disallowances.

Substate Distribution

We agree that giving Governors the option to institute up to a 90 percent hold harmless on the substate distribution formula is a more reasonable approach than mandating application of the same. Additionally, however, we would urge that Governors be given the discretion to develop their own policy as to how the hold harmless might be applied intrastate rather than prescribing any methodology in statute. This will allow the Governor maximum flexibility in the development of policies reflective of each state's unique funding needs. We have learned from previous experiences with mandated hold harmless provisions that over time the intent of the allocation formulas may become skewed. Providing the Governor the option to apply a form of hold harmless would reserve the use of this option to address only the most critical situations. This option is particularly important in light of possible funding reductions that will exacerbate funding pressures already apparent in some areas.

Although substate funding questions will probably always remain a difficult issue in JTPA, the larger funding issue is of major interest to the nation's Governors. The Administration's budget recommendations with respect to youth programs are cause for serious concern in light of the alarming statistics on youth unemployment and educational deficiencies. Worker dislocations continue to occur nearly every day in nearly every community. The Title III program has become an integral part of every state's strategy for addressing such dislocation. The Administration's proposal to distribute funds for this program only at the discretion of the Secretary will seriously undermine the states' ability to plan for and institutionalize worker adjustment strategies.

JTPA is alive and well in every state and locality - for now. We would urge you to work with your colleagues in ensuring an appropriate level of funding for JTPA. We would suggest also that proposed changes in the distribution of JTPA funds are appropriately a matter for authorizing bodies such as this Subcommittee.

Conclusion

The Governors and this Subcommittee have a mutual interest in the Job Training Partnership Act. We appreciate the opportunity to testify on S.2069 and we will continue to work with you on fine-tuning this important program of human investment.

Senator QUAYLE. Next, Mayor Arthur Holland of Trenton, NJ, and Chairman of the Employment Subcommittee of the U.S. Conference of Mayors.

Mayor Holland, welcome.

Mayor HOLLAND. Thank you, Senator Quayle and members of the committee.

Let me assure you at the outset that your examination of the Job Training Partnership Act and ways in which it could be improved is of vital interest to mayors throughout the country.

We appreciate the fact that your amendments, as previous speakers have indicated, are not an attempt to tinker with the law unnecessarily, but rather address some of the technical problems we have encountered with it. We are in support of many of your proposals. There are several I would like to discuss specifically.

One area that has been of tremendous concern to the mayors is the substate allocation formula. We appreciate your attention to the problems inherent in the JTPA funding formula, but we feel that your amendment does not go far enough in dealing with the potential funding disparities.

The current allocation formula does not reflect the population eligible to seek services from the program. It takes into account unemployment rates, but not the actual numbers of people who need services.

Since unemployment is not a requirement for eligibility, a more sensible formula would be one which gives more weight to poverty rates. Similarly, the summer jobs formula is also inappropriate. It uses adult unemployment rates to determine how funds are distributed to serve low income youth.

Based on recommendations from urban employment and training officials, the conference adopted a policy which calls for changes in the allocation formula. For the basic grant, we propose that more weight be given to the economically disadvantaged factor, less weight be given to the unemployed persons factor, and that the artificial unemployment rate triggers be eliminated as a factor.

Allocation of funds for the Summer Youth Employment Program should be based on an area's relative number of economically disadvantaged youth rather than the unrelated adult unemployment rate. A copy of our policy is attached to my statement. I know that Bill Colon, who is here with us this morning and is president of our Employment and Training Council, will be discussing this issue.

When coupled with the annual allocation process, the formula contributes to the potential for significant year-to-year fluctuation of funding levels at the local level. This detracts from our ability to plan and manage programs. We propose, therefore, that allocations be made on a biennial, rather than an annual basis, to conform with the JTPA planning requirement and provide greater program stability.

Regarding your amendment concerning enforcement of the 40-percent set-aside for youth in the basic grant, we would oppose the sanction of withholding funds from future grants when that 40-percent target is not met.

It would be more appropriate for the Secretary to first make an effort to determine why service delivery areas are not meeting the 40-percent cost requirement. Often the provision of training services to youth are not as costly as those required by adults. The fact that there has been a problem in meeting the 40-percent requirement shows that greater flexibility is probably needed and that specific problems relating to an area serviced and the services needed by its youth should be examined.

The proposed amendment that requires the Secretary adjust performance standards to recognize that certain characteristics of program participation justify additional costs or lower performance begins to address the serious problem of creaming. It might be better to have the Secretary require the States to negotiate standards with the service delivery areas. This could provide greater flexibility to meet local needs and serve those who need our services most.

Also on performance standards, we believe that the true measure of the success of JTPA will be reflected by the long-term effect of the program on its participants. We support your amendment to establish measures to determine the long-term impact of JTPA on participants, but feel that it must be recognized that the costs of such long-term followup, as we learned from CETA, can be immense.

The conference, therefore, supports long-term measurement of the impact of JTPA services if the resources are made available to us to gather this information.

Regarding the Summer Youth Employment Program, we could not agree more on the need for continued math, English, and other educational instruction during the summer months to bolster instruction provided during the school year. Indeed, many cities, under the authority already provided in the act, have an education component in their Summer Jobs Program. We oppose, however, the requirement that there be an education component—a requirement which potentially could dilute the funds available to provide jobs to young people.

There is more of my testimony, Mr. Chairman, but I will file this with you rather than go beyond my limit.

Senator QUAYLE. OK. Thank you very much, mayor.

[The prepared statement of Mayor Holland follows:]

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STATEMENT BY

ARTHUR J. HOLLAND

MAYOR OF TRENTON

CHAIRMAN, SUBCOMMITTEE ON EMPLOYMENT
U.S. CONFERENCE OF MAYORS

On The

JOB TRAINING PARTNERSHIP ACT AMENDMENTS

Before the

SUBCOMMITTEE ON EMPLOYMENT AND PRODUCTIVITY
COMMITTEE ON LABOR AND HUMAN RESOURCES
UNITED STATES SENATE

MARCH 11, 1986

CHAIRMAN QUAYLE AND MEMBERS OF THE SUBCOMMITTEE, I AM ARTHUR J. HOLLAND, MAYOR OF TRENTON AND CHAIRMAN OF THE SUBCOMMITTEE ON EMPLOYMENT OF THE U.S. CONFERENCE OF MAYORS. I AM PLEASED TO HAVE THE OPPORTUNITY THIS MORNING TO DISCUSS THE AMENDMENTS YOU HAVE PROPOSED TO THE JOB TRAINING PARTNERSHIP ACT.

LET ME ASSURE YOU AT THE OUTSET THAT YOUR EXAMINATION OF THE JOB TRAINING PARTNERSHIP ACT AND WAYS IN WHICH IT COULD BE IMPROVED IS OF VITAL INTEREST TO MAYORS THROUGHOUT THE COUNTRY. WE APPRECIATE THE FACT THAT YOUR AMENDMENTS ARE NOT AN ATTEMPT TO TINKER WITH THE LAW UNNECESSARILY, BUT RATHER THEY ADDRESS SOME OF THE TECHNICAL PROBLEMS WE HAVE ENCOUNTERED WITH IT. WE ARE IN SUPPORT OF MANY OF YOUR PROPOSALS. THERE ARE SEVERAL I WOULD LIKE TO DISCUSS SPECIFICALLY, HOWEVER.

ONE AREA THAT HAS BEEN OF TREMENDOUS CONCERN TO THE MAYORS IS THE SUBSTATE ALLOCATION FORMULA. WE APPRECIATE YOUR ATTENTION TO THE PROBLEMS INHERENT IN THE JTPA FUNDING FORMULA, BUT WE FEEL THAT YOUR AMENDMENT DOES NOT GO FAR ENOUGH IN DEALING WITH THE POTENTIAL FUNDING DISPARITIES.

THE CURRENT ALLOCATION FORMULA DOES NOT REFLECT THE POPULATION ELIGIBLE TO SEEK SERVICES FROM THE PROGRAM. IT TAKES INTO ACCOUNT UNEMPLOYMENT RATES, NOT THE ACTUAL NUMBERS OF PEOPLE WHO NEED SERVICES. SINCE UNEMPLOYMENT IS NOT A REQUIREMENT FOR ELIGIBILITY, A MORE SENSIBLE FORMULA WOULD BE ONE WHICH GIVES MORE WEIGHT TO POVERTY RATES. SIMILARLY, THE SUMMER JOBS FORMULA IS ALSO TOTALLY INAPPROPRIATE. IT USES ADULT UNEMPLOYMENT RATES TO DETERMINE HOW FUNDS ARE DISTRIBUTED TO SERVE LOW INCOME YOUTH.

BASED ON RECOMMENDATIONS FROM URBAN EMPLOYMENT AND TRAINING OFFICIALS THE CONFERENCE ADOPTED A POLICY WHICH CALLS FOR CHANGES IN THE ALLOCATION FORMULA. FOR THE BASIC GRANT WE PROPOSE THAT MORE WEIGHT BE GIVEN TO THE ECONOMICALLY DISADVANTAGED FACTOR, LESS WEIGHT BE GIVEN TO THE UNEMPLOYED PERSONS FACTOR, AND THAT THE ARTIFICIAL UNEMPLOYMENT RATE TRIGGERS BE ELIMINATED AS A FACTOR. ALLOCATION OF FUNDS FOR THE SUMMER YOUTH EMPLOYMENT PROGRAM SHOULD BE BASED ON AN AREA'S RELATIVE NUMBER OF ECONOMICALLY DISADVANTAGED YOUTH, RATHER THAN THE UNRELATED ADULT UNEMPLOYMENT RATE. A COPY OF OUR POLICY IS ATTACHED TO MY STATEMENT. I KNOW THAT BILL COLON, PRESIDENT OF OUR EMPLOYMENT AND TRAINING COUNCIL, WILL BE DISCUSSING THIS ISSUE WITH YOU AS WELL.

WHEN COUPLED WITH THE ANNUAL ALLOCATIONS PROCESS, THE FORMULA CONTRIBUTES TO THE POTENTIAL FOR SIGNIFICANT YEAR-TO-YEAR FLUCTUATION OF FUNDING LEVELS AT THE LOCAL LEVEL. THIS DETRACTS FROM OUR ABILITY TO PLAN AND MANAGE PROGRAMS. WE PROPOSE, THEREFORE, THAT ALLOCATIONS BE MADE ON A BIENNIAL, RATHER THAN AN ANNUAL BASIS, TO CONFORM WITH THE JTPA PLANNING REQUIREMENT AND PROVIDE GREATER PROGRAM STABILITY.

REGARDING YOUR AMENDMENT CONCERNING ENFORCEMENT OF THE 40 PERCENT SET ASIDE FOR YOUTH IN THE BASIC GRANT, WE WOULD OPPOSE THE SANCTION OF WITHHOLDING FUNDS FROM FUTURE GRANTS WHEN THAT 40 PERCENT TARGET IS NOT MET. IT WOULD BE MORE APPROPRIATE FOR THE SECRETARY TO FIRST MAKE AN EFFORT TO DETERMINE WHY SERVICE DELIVERY AREAS ARE NOT MEETING THE 40 PERCENT COST REQUIREMENT. OFTEN THE PROVISION OF TRAINING SERVICES TO YOUTH ARE NOT AS COSTLY AS THOSE REQUIRED BY ADULTS. THE FACT THAT THERE HAS BEEN

A PROBLEM IN MEETING THE 40 PERCENT REQUIREMENT SHOWS THAT GREATER FLEXIBILITY IS PROBABLY NEEDED AND THAT SPECIFIC PROBLEMS RELATING TO AN AREA SERVED AND THE SERVICES NEEDED BY ITS YOUTH SHOULD BE EXAMINED.

THE PROPOSED AMENDMENT THAT REQUIRES THE SECRETARY ADJUST PERFORMANCE STANDARDS TO RECOGNIZE THAT CERTAIN CHARACTERISTICS OF PROGRAM PARTICIPATION JUSTIFY ADDITIONAL COSTS OR LOWER PERFORMANCE BEGINS TO ADDRESS THE SERIOUS PROBLEM OF "CREAMING." IT MIGHT BE BETTER TO HAVE THE SECRETARY REQUIRE THE STATES TO NEGOTIATE STANDARDS WITH THE SERVICE DELIVERY AREAS. THIS COULD PROVIDE GREATER FLEXIBILITY TO MEET LOCAL NEEDS AND SERVE THOSE WHO NEED OUR SERVICES MOST.

ALSO ON PERFORMANCE STANDARDS, WE BELIEVE THAT THE TRUE MEASURE OF THE SUCCESS OF JTPA WILL BE REFLECTED BY THE LONG-TERM EFFECT OF THE PROGRAM ON ITS PARTICIPANTS. WE SUPPORT YOUR AMENDMENT TO ESTABLISH MEASURES TO DETERMINE THE LONG TERM IMPACT OF JTPA ON PARTICIPANTS, BUT FEEL THAT IT MUST BE RECOGNIZED THAT THE COSTS OF SUCH LONG TERM FOLLOW-UP, AS WE LEARNED FROM CETA, CAN BE IMMENSE. THE CONFERENCE, THEREFORE SUPPORTS LONG TERM MEASUREMENT OF THE IMPACT OF JTPA SERVICES IF THE RESOURCES ARE MADE AVAILABLE TO US TO GATHER THIS INFORMATION.

REGARDING THE SUMMER YOUTH EMPLOYMENT PROGRAM, WE COULD NOT AGREE MORE ON THE NEED FOR CONTINUED MATH, ENGLISH AND OTHER EDUCATIONAL INSTRUCTION DURING THE SUMMER MONTHS TO BOLSTER INSTRUCTION PROVIDED DURING THE SCHOOL YEAR. INDEED MANY CITIES, UNDER THE AUTHORITY ALREADY PROVIDED IN THE ACT, HAVE AN EDUCATION COMPONENT IN THEIR SUMMER JOBS PROGRAMS. WE OPPOSE, HOWEVER, THE

REQUIREMENT THAT THERE BE AN EDUCATION COMPONENT -- A REQUIREMENT WHICH POTENTIALLY COULD DILUTE THE FUNDS AVAILABLE TO PROVIDE JOBS TO YOUNG PEOPLE.

THE AMENDMENTS PROPOSED ON DISLOCATED WORKERS DO NOT ADDRESS AN ISSUE OF CONCERN TO US. WE WOULD LIKE TO SEE MORE OPPORTUNITIES FOR CITY GOVERNMENTS TO BE INVOLVED IN THE PROGRAM AND FOR IT TO BE MORE RESPONSIVE TO LOCAL NEEDS. ONE POSSIBLE APPROACH WOULD BE TO CHANGE THE PROGRAM TO A DISCRETIONARY GRANT PROGRAM WHICH WOULD PROVIDE FUNDS DIRECTLY TO LOCAL SERVICE DELIVERY AREAS, RATHER THAN CONTINUE IT AS A FORMULA GRANT TO THE STATES.

ON THE DESIGNATION OF SERVICE DELIVERY AREAS, THERE HAVE BEEN INSTANCES IN WHICH TWO OR MORE CITIES HAVE JOINED TOGETHER TO FORM A CONSORTIUM AND IN SO DOING MEET THE MINIMUM POPULATION REQUIREMENTS, BUT HAVE BEEN DENIED DESIGNATION BY THE GOVERNOR. WE WOULD LIKE TO SEE A PROVISION IN THE ACT WHICH WOULD GUARANTEE SDA STATUS TO ANY SUCH LOCALLY-GENERATED CONSORTIA.

FINALLY, WE FEEL THAT YOUR PROPOSAL TO ESTABLISH A PRESIDENTIAL AWARD THAT WOULD RECOGNIZE EFFECTIVE AND CONSISTENT BUSINESS INVOLVEMENT IS VERY POSITIVE. BECAUSE JTPA IS A PARTNERSHIP EFFORT, WHY NOT HAVE THAT AWARD INSTEAD RECOGNIZE EFFECTIVE AND CONSISTENT PARTNERSHIPS TO PROVIDE EMPLOYMENT AND TRAINING OPPORTUNITIES TO THOSE IN NEED.

MR. CHAIRMAN, I APPRECIATE THE OPPORTUNITY TO APPEAR BEFORE YOU THIS MORNING. I WILL BE HAPPY TO TRY TO ANSWER ANY QUESTIONS YOU MIGHT HAVE.

UNITED STATES CONFERENCE OF MAYORS
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Jobs

WHEREAS, the key to urban revitalization will be creating job programs that will maintain and improve our urban infrastructure; and

WHEREAS, an official unemployment rate of 7.5 percent translates into nearly nine million Americans out of work, revealing only part of the real dilemma in that an additional 1.5 percent of all workers are classified as discouraged, having given up the search for employment; and

WHEREAS, the youth unemployment rate is 25 percent in cities, the black youth unemployment rate hovers around 45 percent in central cities, the youth unemployment rate is three times that of adults, and the black youth unemployment rate is six times that of adults; and

WHEREAS, the current Job Training Partnership Act allocation formula does not reflect the populations in need of and eligible for JTPA services and the current JTPA allocation formula tends to shift funds from urban to rural areas; and

WHEREAS, the distribution of funds for the JTPA Summer Youth Employment Program is based on an adult unemployment measure and the eligibility criteria for the JTPA Summer Youth Employment Program is that individuals be between the ages of 14 and 24 and economically disadvantaged,

NOW, THEREFORE, BE IT RESOLVED that the U.S. Conference of Mayors urges Congress to adopt legislation which includes a commitment to full employment and better targeted federal grants and low-interest loans to create jobs in areas of greatest need; and

BE IT FURTHER RESOLVED that the Conference calls upon the Congress and the Administration to amend the JTPA allocation formula for the regular training program so that more weight is given to the economically disadvantaged factor, less weight is given to the unemployed persons factor, and the artificial unemployment rate triggers are eliminated as factors; and

BE IT FURTHER RESOLVED that the Conference calls upon the Congress and the Administration to amend the JTPA so that the allocation of summer jobs funds is based on an area's relative number of economically disadvantaged youth rather than the unrelated adult unemployment rate.

Senator QUAYLE. Let me point out to all the witnesses that your entire testimony will be incorporated as part of the permanent record, so there will be no problem with making sure that we have access to that.

Next, Mr. Pierce Quinlan, the executive vice president, National Alliance of Business.

Mr. Quinlan.

Mr. QUINLAN. Thank you, Mr. Chairman. I want to compliment you and the members of the committee and the staff for a superb job in drafting the JTPA legislation, and especially for the assistance in the implementation phase. I think we have a successful program, and we are all proud of it.

I think a large part of the success of the program has been due to stability, as you mentioned earlier, and the absence of change. You recognize the importance of allowing time for change to take place and time for business volunteers to become knowledgeable and committed.

We completed a survey recently of 322 PIC chairs, and we found that a very substantial number of the chairs had served on the PIC for 39 months, both under JTPA and the predecessor program under CETA, and on average had served as the chair for 17 months. Only 2 of 322 had been a chair less than 1 year. So there is a lot of business stability in the program, and I think that is an indicator of some of the elements of success and the need to maintain some restraint in amending JTPA.

What we say is that we have a stable system now, and we need to make only essential changes. In our view, any amendments that just explain or describe what can be done in the present law should be avoided.

We find that two amendments warrant the risk of opening up the statute for change. The first one would be the question of the 90-percent hold-harmless to prevent the significant changes in funding that occur from year to year.

We find that over 60 percent of the SDA's have been affected by this problem. Your proposal to set the hold-harmless funding by averaging the multiyear allotments makes sense to us. And then ultimately, we agree with the Department that the formula needs to be reexamined. But in the meantime, there are serious problems, and we think the 90-percent hold-harmless provision should be put in place in the form that you have described it in the amendment.

The second amendment we would support deals with the clarification of the use of the 6-percent performance incentive funds for staff development, training, and technical assistance. I think this is the kind of authority the States have needed and that the Department clearly could not issue a policy interpretation on because of some legal questions over the intent. So these are the two amendments that we support.

There are a couple of other amendments that give us some concern, one of which has been mentioned earlier and has to do with the authority that the Governor would be given to suspend funds where people did not meet the performance requirements, whether that be the 40-percent growth expenditure requirement or the 70 percent for training and so on.

We view that requirement as having some very negative possibilities. Something like this was tried and rejected under the 1978 amendments to CETA, and we think that it is not helpful at this time.

We are also concerned about loosening the requirements in the Summer Youth Employment Program on work tryout. We think that employers should continue to be obligated to provide employment after the tryout period including part-time jobs and full-time jobs if the students have graduated.

And then finally, Mr. Chairman, we feel that these provisions in the summer program could have a negative effect on the private sector voluntary programs, which we work very hard to develop each year. We communicate with 5,000 employers each year to try to get them involved in a fully voluntary program. We are concerned that these amendments might have a negative effect on employers' involvement.

And finally, we are very supportive of the education component in the Summer Youth Program. Our data show that about 50 percent of the SDA's already provide education during summer. I guess our feeling is that we would like to see SDA's continue on a voluntary basis because, as our statement indicates, there could be some negative effects where people might not select those most in need just to keep the number of summer slots at the level of the previous year. Moving with the support of the Department and the other interest groups, we feel that we are going to come close to a universal program without this requirement.

Mr. Chairman, that concludes my statement, and as I indicated, we feel that two of the amendments are needed now, and would prefer to maintain stability for the rest of them.

Thank you.

Senator QUAYLE. Thank you very much, Mr. Quinlan.

[The prepared statement of Mr. Quinlan follows:]

TESTIMONY
OF THE
NATIONAL ALLIANCE OF BUSINESS

BEFORE THE
SUBCOMMITTEE ON EMPLOYMENT AND PRODUCTIVITY
COMMITTEE ON LABOR AND HUMAN RESOURCES
UNITED STATES SENATE

ON THE JOB TRAINING PARTNERSHIP ACT AMENDMENTS OF 1986
(S. 2069)

March 11, 1986

Mr. Chairman, thank you for the opportunity to testify at this hearing on proposed amendments to the Job Training Partnership Act (JTPA) of 1982.

My name is Pierce A. Quinlan, Executive Vice President, of the National Alliance of Business. Since the enactment of JTPA, the Alliance has committed its resources to the successful implementation of the Act and has helped to build strong working partnerships between the public and private sectors in states and local areas across the country.

A large part of the success of this program has been due to stability, and the absence of unnecessary change. Congress recognized the importance of allowing time for institutional change and coordination that evolves only from program experience, and time for business volunteers to become knowledgable, committed, and confident in the program's success.

It is important that restraint continue to be the guiding principle for JTPA. The statutory provisions were carefully crafted with strong support and involvement of the business community in 1982. You have played a key role, Mr. Chairman, in advocating a stable system to build experience in the leadership of state and local partnerships. All of us should continue to demonstrate our commitment to the fundamental provisions in this program and maintain confidence in the ability of each state and local area to resolve its own problems.

We feel strongly that only essential changes should be considered. Each amendment must be weighed carefully and evaluated critically to allow only those that, by broad consensus, are absolutely indispensable. To warrant opening up provisions of the statute, which have been proven successful, amendments should be considered only if they correct major barriers of law or address a widespread problem that hinders effective operation throughout the entire system. In our view, the committee should resist amendments that merely explain what can be done under current law, prescribe administrative details, or erode local flexibility. We must resist the temptation to regulate by statute and add changes directed at a few administrative problems in a few states.

We find that most of the amendments proposed in S. 2069 restate what can be, or is, done under current law, prescribe Labor Department actions that are already underway administratively, or seek oversight goals that can already be achieved by other means under the Subcommittee's authority, short of requiring statutory amendment.

We find only two amendments that warrant the risk of opening up the statute for change. Those amendments include: funding stability for local service delivery areas through a "hold-harmless" provision to prevent drastic annual shifts of funding which undermine planning and stability; and clarification needed by the Department of Labor to help states administer the 6 percent funds set-aside for rewarding program performance in service delivery areas (SDAs).

Unforeseen problems in the formula distribution of funds to local areas have resulted in annual funding shifts that affect nearly 60 percent of all SDAs. We would support an amendment to correct this problem. Your proposal to set a "hold-harmless" funding level by averaging multi-year allotments helps overcome the issue of tying an SDAs funding to a large single-year increase that may not be justified by local unemployment circumstances over the long-term. We see this amendment as a temporary solution to a problem inherent in the structure of the formula which eventually will need to be examined by the committee for revision.

Your amendment to clarify the appropriate use of 6 percent performance incentive funds for on-going staff development, training, and technical assistance provides the needed authority that States have sought for some time. The Department of Labor could not issue a policy interpretation on this issue because of legitimate legal questions over statutory intent.

I would like to focus on a few of the amendments which raise serious concern and could potentially be very disruptive. The first has to do with enforcement procedures that would be allowed if a SDA is found out of compliance with cost limitations. The second has to do with changes proposed in the summer youth employment program.

The bill proposes an amendment allowing the Governor to suspend funds, in whole or in part, to a SDA that fails to spend 40 percent of its funds on youth, or fails to comply with any of the cost limitations requiring 70 percent of the funds to be spent on training, 15 percent on administration, and 15 percent for participant support. The amendment provides little qualification to State actions when non-compliance is found, and the Governor takes corrective steps. In the most exaggerated scenario, but one that is literally possible under the amendment, a State could suspend a SDA's entire funding if it were found to be out of compliance with any one of the cost limitations or service requirements. The funds would then be allocated to the other service delivery areas, leaving no other means of providing services within the SDA, in effect denying services to the eligible population in an entire SDA because of administrative non-compliance in one or more cost categories. Reason and politics would prevent the worst scenarios, but the amendment is based on a disputed premise for sanctions.

This type of sanction policy had been proposed and was rejected in the 1978 amendments to CETA, solely because it penalized program participants, not the bureaucracy, when funds are withdrawn from the area. We believe it is still a questionable public policy to adopt. The Governor should be able to seek other service deliverers in the SDA, redesignate the administrative entity, or be able to sanction under other state policies that are already required in the law for audit procedures, rather than penalize participants. Even tying the penalties to restrictions on the use of performance awards would be preferable to the proposed language. It would at least keep the funds in the SDA for participants. We should also point out that under current law the Labor Department already has responsibility for corrective action if state policies are not adequate enough to ensure compliance by SDAs.

Both amendments proposed to the summer youth employment program also raise serious problems. The first amendment would permit subsidized private sector employment in the summer program according to the limitations provided in JTPA for "Try-Out Employment," except that employers would not have to hire the youth after the summer. The second would require SDAs to provide an education component in the summer program for youth who do not meet locally prescribed education standards agreed to by the private industry council and local education agency.

The first amendment for summer youth proposes to waive the youth "try-out employment" program provision that would otherwise require employers to continue to provide some type of employment after the end of the program as a trade-off for subsidized wages. This waiver would apply only to the summer program. We believe that even in the summer program employers should be obligated to provide employment after the try-out period, including part-time jobs when youth return to school or full-time jobs if they've graduated. We would not support the amendment as written.

Many SDAs already use a portion of their summer funds for try out employment or vocational exploration programs, both of which provide direct wage subsidies to private employers. Congress has always maintained that the government should not subsidize a potential advantage of one private enterprise over another in a competitive free market economy by subsidizing wages. The one exception to that policy was made in 1982 with the try-out employment provisions of JTPA. That exception, we believe, was well designed by expecting retention as part of the agreement for subsidized wages. Try out employment can be done in the summer, under current law, and should remain as a special arrangement with the employer in which youth are tried out for continued, unsubsidized employment.

A separate issue is the effect this amendment might have on the public program for summer jobs. For many years, the public jobs program has been supplemented substantially by a private sector program in which employers are either recruited with the incentive of the Targeted Jobs Tax Credit (totaling 85 percent of the summer wages paid by the employer) or through promotional campaigns generating employer-paid job slot commitments for disadvantaged youth out of a sense of community service. (We annually promote such a program nationally with the Fortune 5,000 companies and 200 national trade associations). This amendment has the potential of disrupting that balance and diminishing efforts on both the public and private sides that have proven effective in the past.

With limitations on federal funds for summer jobs, it would be preferable to devote those resources to public jobs, in areas where they are needed, while continuing to encourage private employers to make additional jobs available with their own resources. This amendment might make it easier to find private sector job placements for participants, but might do so at tremendous expense to the public jobs program.

The second amendment requires that each summer program include an education component for youth determined to be below the local standard of remedial competencies. We fully support enriching summer programs with remedial training and have worked with local private industry councils to help them design such programs. It can be done under current law. But this amendment appears to require an education component for all youth assessed as deficient. This requirement, when combined with potential cuts in summer funds, can have an undesirable impact on summer enrollments. If a SDA needs to stretch program dollars to provide as many job slots as possible, youth who do not meet locally prescribed education standards may be screened out of potential enrollees to some degree. We do not believe that the amendment is necessary since the Department of Labor and national organizations working with JTPA are increasing technical assistance to promote this program model. To be effective, it must be a discretionary program option for the SDAs.

We have attached a more detailed analysis of each of the separate amendments proposed in the bill which provides the background and rationale for our analysis and our judgment of their effect.

As I mentioned, NAB believes that JTPA should be amended only where there is widespread need for change, and we believe that only the amendments relating to the hold-harmless and the use of the six percent funds are in this category. JTPA is a permanent authorization. We should keep JPTA's program design stable and avoid the mistakes of the past under CETA, where changes became a way of life and led to instability, loss of flexibility, and over-regulation.

Mr. Chairman, I would be happy to answer any questions you might have.

Prepared by:
Policy Department
National Alliance of Business
March 5, 1986

BRIEF ANALYSIS OF S.2069

PROPOSED JOB TRAINING PARTNERSHIP ACT AMENDMENTS OF 1986
(U.S. SENATE)

(This bill was introduced by Senator Dan Quayle February 7, 1986, proposing a number of amendments to the Job Training Partnership Act. This analysis supplements testimony by the National Alliance of Business before Senator Quayle's Subcommittee on Employment and Productivity, March 11, 1986).

PERFORMANCE STANDARDS

Amendments:

#1 Requires the Secretary to issue youth competency standards by July 1, 1986, or report to Congress why not, with legislative amendments, if necessary.

#2 Requires the Secretary to establish national performance standards measuring long-term impact of JTPA participation (read post-program follow-up measures) by July 1, 1986, or report to Congress why not, with legislative amendments, if necessary.

#3 Requires the Secretary to adjust performance standards to recognize that certain hard-to-serve participants justify additional costs or lower performance.

NAB Analysis: Both amendments #1 and #2 would be of serious concern if the July 1, 1986, implementation date was not qualified by the escape clause "or report to Congress." Congress is not likely to enact the amendments prior to July 1, and the Department of Labor already has proposed gathering the data needed to establish standards for both youth competency achievements and post-program follow-up outcomes (***Federal Register***, January 14, 1986).

The Department's timetable for implementing standards requires gathering appropriate program data from SDAs, beginning July 1, 1986, to establish numerical performance goals by 1988. The reporting requirement changes are currently under review at the Office of Management and Budget (OMB). Congress knows about the Department's timetable and action.

The amendments allow the Department to "report" on its activities as an alternative to immediate implementation before data is available. In our view, this objective does not require a change in current law. Congress has other authorities available, short of statutory additions, to require these special one-time reports. Even if the amendments have been proposed to prevent OMB from blocking the Department's pending request on reporting requirements for establishing the standards, Congress can pressure OMB by other authoritative channels. OMB could be alerted by a letter from key committee chairmen that such amendments would be proposed later, if OMB does not act to implement the Department's request. As a result, these additions need not be reported out of committee. OMB denied a similar Department request in 1984, which resulted in congressional hearings to express concern over the disapproval. In 1984, Congress chose not to follow up on OMB actions.

Amendment #3 requires the Secretary to adjust national standards to account for participant characteristics that may influence costs of services or low performance (i.e. the increased costs, and duration, for enrolling the hardest-to-serve). The adjustment model provided by the Department of Labor since 1984, by which states can adjust national standards to account for local economic and demographic characteristics, has allowed and still provides for such adjustments. The adjustment model is updated biennally and has just recently been reissued. This amendment appears unnecessary.

If the model is the problem, then it can be remedied through administrative means, congressional hearings, or directives in legislative report language. If adjustments are not being made to account for costs in serving the most needy, it is more likely an administrative problem at the state level requiring technical assistance or oversight rather than a problem needing statutory amendment. In our view, the real problem is the Department's policy base for establishing the PY 1986 national numerical standards (i.e. lowering Adult Cost Per Placement while increasing Adult Entered Employment) - the starting point for adjustments - not the adjustments themselves.

TRAINING PROGRAMS FOR OLDER INDIVIDUALS

Amendment:

#4 Changes JTPA eligibility for older workers (age 55 and over) to conform to eligibility criteria for the Community Service Employment Program for Older Workers authorized under Title V of the Older Americans Act.

NAB Analysis: Specifically this amendment applies to older workers served with the 3 percent of JTPA funds earmarked, at the state level, for training older workers. The amendment is aimed at improving coordination with the Community Service Employment Program for Older Workers, and to loosen income eligibility for older workers under the 3 percent JTPA program. Currently the program under title V of the Older Americans Act is funded at $326 million and provides part-time public service employment for persons age 55 and over through contracts with eight national service organizations, and through grants to states.

The key issue raised by this amendment is whether the 3 percent JTPA funds are directed toward closer coordination with the Older Americans Act program at the expense of coordination with the 78 percent JTPA funds administered by local service delivery areas.

Income eligibility for both the JTPA 3 percent funds and the 78 percent funds require older workers to be economically disadvantaged (income at or below 70 percent of the Bureau of Labor Statistics' lower living standard, or the poverty level whichever is higher). Income eligibility for the title V program is at or below 125 percent of the poverty level. The BLS lower living standard income level is adjusted for regional, urban and rural diffences, and family size. The poverty level is a single nationwide standard by family size.

Some states have allocated 3 percent funds to service delivery areas to focus attention and services on older workers locally. In some cases, this has "leveraged" some of the 78 percent funds toward this population group. If the amendment is adopted, SDAs with 3 percent funds would have two different income criteria for the same person, depending on the pot of funds used for services. On the one hand, there are good reasons for raising the income level because it can expand the pool of eligible persons to enroll. On the other hand, fewer of the 78 percent funds (where the bulk of JTPA money is) would likely be used for older workers because of the tighter eligibility required. We would not object to the amendment on the basis of the policy issue, but do not find the benefits of the change to be significant enough to warrant an amendment.

COST LIMITATION PROVISIONS

Amendment:

#5 Eliminates application of the JPTA cost limitations on funds awarded to SDAs as incentive bonuses for exceeding performance standards.

NAB Analysis: The performance incentive bonuses (the so-called "6 percent funds") were not subject to the cost limitations in the JTPA statute originally. The limitations, which require 70 percent of the funds to be spent on training and no more than 30 percent spent on administration and participant support, were imposed by regulation in 1983, somewhat against congressional intent. The regulations also imposed cost limitations on the 3 percent set-aside for older workers and the 8 percent set-aside for education coordination without statutory mandate, but these are not addressed in the bill. The amendment appears to clarify the original congressional intent on one of the set-asides. It would increase the "incentive" or reward to exceed performance standards. We would support it.

However, it may require separate accounting of award funds so that compliance with the cost limitations on other grant funds can be determined. Also the amendment does not clarify whether these funds apply to the calculation of the 40 percent youth expenditure requirement, or are counted in calculating performance standard outcomes the following year. These issues should be clarified. If the funds are not calculated in performance outcomes, SDAs should use some to supplement more costly services for the hardest-to-serve.

ENFORCEMENT PROCEDURES

Amendments:

#6 Allows the Governor to suspend funds, in whole or in part, to a SDA that fails to spend 40 percent of its funds on youth, or fails to comply with any of the 70/15/15 percent cost limitations.

#7 When financial assistance is suspended from a SDA that is not in compliance, the Governor must allocate those funds to other SDAs within the State according to statutory formula.

#8 A private industry council may request the Governor to clarify disputed questions of law in the administration of funds under JTPA. The Governor can decide the question or request a determination by the Secretary of Labor.

#9 If the Governor makes the determination, the State, not the private industry council, is liable for funds spent according to such ruling if audit questions arise.

NAB Analysis: Amendments #6 and #7 are drafted in a manner that provides little qualification to State actions when non-compliance is found, and the Governor takes corrective steps. In the most exaggerated scenario, but one that is literally possible under the amendment, a State could suspend a SDA's entire funding if it were found to be out of compliance with any one of the cost limitations or service requirements. The funds must be allocated to the other service delivery areas, leaving no other means of providing services within the SDA, in effect denying services to the eligible population in an entire SDA because of administrative non-compliance in one or more cost categories. The Governor should be able to seek other service deliverers in the SDA or redesignate the administrative entity, or be able to sanction under other state policies already required in the law for audit procedures, rather than to penalize eligible participants in the SDA by withdrawing funds. We would oppose this change.

Reason and politics would prevent the worst scenarios, but the amendment allows the Governor to suspend funds "in whole" without relation to the seriousness of the offense. This type of sanction policy had been proposed and was rejected in the 1978 amendments to CETA, solely because it penalized program participants, not the bureaucracy, when funds are withdrawn. We believe it is still a questionable public policy to adopt. Even tying the penalties to restrictions on the use of performance awards would be preferable to the proposed language. It would at least keep the funds in the SDA for participants. If the only purpose of the amendment is to put increased pressure on SDAs to meet the 40 percent youth requirement or cost category limitations, then we should point out that other effective options are available to ensure compliance through audits, technical assistance, and tougher federal (or state) oversight requirements. Under current law the Labor Department already has responsibility for corrective action if state policies are not adequate enough to ensure compliance by SDAs.

Amendments #8, and #9 establish a process for resolving disputed or silent points of law for the administration of JTPA funds. These would clarify liability in audit disputes in addition to procedures already provided in current systems. It appears that only the PIC can request policy clarifications.

The amendments are probably motivated by two factors: unnecessary PIC liability when a State decides not to formally rule on a legitimately disputed question (currently a State does not have to rule); reaction to an early period during JTPA's implementation when the Labor Department was somewhat unresponsive to requests from States for policy guidance and interpretations of law. The amendments would establish a formal system of responsiveness regardless of the quality of leadership at either the state or federal level to resolve disputed questions with audit implications. However, the amendments to not require any action on the request by Governors or the Department, and provides no reasonable timetable for a decision. These amendments leave a number of procedural questions unanswered. We would support some procedure for resolving disputed questions of law, preferably designed and established by the Department of Labor, rather than dictating a process in statute.

PRESIDENTIAL AWARDS FOR OUTSTANDING BUSINESS INVOLVEMENT IN JOB TRAINING PROGRAMS

Amendment:

#10 Authorizes the President to make awards for outstanding achievement by business in JTPA programs. Awards are targeted to individual executive officers or business concerns which have demonstrated achievement in planning and administering JTPA programs.

NAB Analysis: This is a good idea which NAB supports. NAB has been recognizing outstanding programs and individuals at its annual national conference since JTPA was enacted. This proposal has the added advantage of bringing the benefits of JTPA to the attention of the President annually. It can be financed and sponsored by the Department of Labor under current law, and does not require statutory change.

The language appears to limit awards to executive officers or business concerns involved in "planning and administering" JTPA programs. This language could only apply to PIC members. (State councils cannot administer programs).

The language should not be so narrow that the significant contributions of other business leaders are excluded. Examples should include: companies that have made significant contributions of supervisory personnel, equipment, facilities, or in substantial and consistent hiring of JTPA participants, or individual business executives like James E. Burke (Johnson & Johnson) or John D. Ong (BFGoodrich) who each have made substantial cash and in-kind contributions to the success of JTPA providing national public service ads, leadership within their own companies for JTPA involvement, and extensive promotion of JTPA among other corporate executive officers across the country.

WITHIN STATE ALLOCATION OF FUNDS

Amendments:

#11 Allows the Governor discretion to use a "90 percent hold-harmless" in distributing basic grant funds (Title II-A) to local service delivery areas so that no SDA receives less than 90 percent of their average allotment over the last 3-year period.

#12 Allows States to use the balance of 6 percent incentive funds, not needed for performance awards, to provide technical assistance for all SDAs, not just those which failed to meet performance standards.

NAB Analysis: In testimony, October 10, 1985, before the House Subcommittee on Employment Opportunities, NAB supported a "90 percent hold-harmless" type amendment that would provide needed stability in annual funding allotments for local SDAs. We would support this amendment, but we see it as a temporary solution to a problem inherent in the structure of the formula which eventually will need to be examined by the Congress for revision.

It establishes the 90 percent funding level by averaging the past three annual allocations. This average helps overcome the issue of tying a SDA into a large single-year increase that may not be justified by local unemployment circumstances over the long-term.

Amendment #12 clarifies that 6 percent funds can be used for on-going staff development, training, and technical assistance to all SDAs. It provides the needed authority that States have been seeking from the Labor Department for some time. The Department felt it could not issue a policy interpretation on this issue because of legitimate disputes over statutory intent. This amendment would settle the question in a manner supported by NAB.

FORTY PERCENT EXPENDITURE REQUIREMENT FOR YOUTH

Amendments:

#13 Would add services to 14 and 15 year olds in calculating an SDAs compliance with the requirement that 40 percent of funds be spent on youth.

#14 Requires the Department of Labor to report to Congress on SDA compliance with the 40 percent requirement through June 30, 1985.

NAB Analysis: Adding 14 and 15 year olds to the calculation would help some SDAs meet the 40 percent requirement, and would probably increase services to in-school youth and help provide drop-out prevention services. Currently, JTPA counts services to 14 and 15 year olds only in the "Exemplary Youth Programs" under section 205, and in the summer jobs program. Other youth services under title II-A are normally limited, by definition, to youth aged 16 to 21. This alone is not the solution to underspending on youth in most SDAs.

Requiring the Department of Labor to report to Congress on compliance with the 40 percent requirement is not a problem, but it does not warrant being an amendment to the JTPA statute. It is drafted as a one-time request and could just as easily be done through a congressional request or by oversight hearings within the appropriate committees. It is not a compelling amendment needing statutory change.

USES OF FUNDS FOR SERVICES TO YOUTH

Amendment:

#15 Allows new use of SDA grant funds for incentive awards or bonus payments to youth who reach benchmarks of achievement in JTPA programs, to recognize attendence, etc., out of funds available for administration and support services.

NAB Analysis: Currently, payments made to youth program participants are generally limited to individual needs-based cash payments, stipends, or allowances (without which the individual could not participate, and normally cover meals, transportation, supplies, and cash needs). These costs are also charged to the 30 percent funds available for administration and participant support. Youth in temporary "Try-Out Employment" with private employers can receive "compensation in lieu of wages" with the entire cost charged to the 70 percent "training" cost category.

This idea of offering incentives for program achievements was effective, according to evaluations of the Youth Incentive Entitlement Pilot Project operated under CETA from

1978 to 1981. Although some SDAs already use this program design, a few have called payments something else, i.e. stipends, allowances, or education bonuses which are awarded upon program completion. This merely clarifies that such incentives or awards are allowed under the 30 percent cost categories.

The amendment will not necessarily change what SDAs are currently doing, it may provide clarification and prominence to move other SDAs into providing such services or program designs for youth, and to help attract youth to the programs. Some SDAs have cited the 30 percent limit on cash payments as a reason for the inability to recruit youth into JTPA programs. The JTPA restriction also has been cited as a major problem in meeting the 40 percent youth expenditure requirement. This 30 percent cost category restriction does not allow much more than is already possible under current law. We do not find it to be a necessary amendment.

SUMMER YOUTH EMPLOYMENT AND TRAINING PROGRAMS

Amendments:

#16 Permits subsidized private sector employment in the summer program according to the limitations provided in JTPA for "Try-Out Employment," except that employers would not have to hire the youth after the summer.

#17 Requires SDAs to provide an education component in the summer youth program for youth who do not meet locally prescribed education standards agreed to by the private industry council and local education agency.

NAB Analysis: Amendment #16 proposes to waive the youth "try-out employment" program provision that would otherwise require employers to continue to provide some type of employment after the end of the program as a trade-off for subsidized wages. This waiver would apply only to the summer program. We believe that even in the summer program employers should be obligated to provide employment after the try-out period, including part-time jobs when youth return to school or full-time jobs if they've graduated. We would not support the amendment as written.

Many SDAs already use a portion of their summer funds for try out employment or vocational exploration programs, both of which provide direct wage subsidies to private employers. Congress has always maintained that the government should not subsidize a potential advantage of one private enterprise over another in a competitive free market economy by subsidizing wages. The one exception to that policy was made in 1982 with the try-out employment provisions of JTPA. That exception, we believe, was well designed by expecting retention as part of the agreement for subsidized wages. Try out employment can be done in the summer, under current law, and should remain as a special arrangement with the employer in which youth are tried out for continued, unsubsidized employment.

A separate issue is the effect this amendment might have on the public program for summer jobs. For many years, the public jobs program has been supplemented substantially by a private sector program in which employers are either recruited with the incentive of the Targeted Jobs Tax Credit (totaling 85 percent of the summer wages paid by the employer) or through promotional campaigns generating employer-paid job slot commitments for disadvantaged youth out of a sense of community service. (We annually promote such a program nationally with the Fortune 5,000 companies and 200 national trade associations). This amendment has the potential of disrupting that balance and diminishing efforts on both the public and private sides that have proven effective in the past.

With limitations on federal funds for summer jobs, it would be preferable to devote those resources to public jobs, in areas where they are needed, while continuing to encourage private employers to make additional jobs available with their own resources. This amendment might make it easier to find private sector job placements for participants, but might do so at tremendous expense to the public jobs program.

Amendment #17 requires that each summer program include an education component for youth determined to be below the local standard of remedial competencies. Encouraging the combination of education with job experience during the summer is an important program design and we promote it. It can be done under current law, but this amendment appears to require an education component for all youth assessed as deficient. This requirement, when combined with potential limits on national funding levels, can have an undesirable impact on summer enrollments. If a SDA needs to stretch program dollars to provide as many job slots as possible, youth who do not meet locally prescribed education standards may be screened out of potential enrollees to some degree. We do not believe that the amendment is necessary since the Department of Labor and national organizations working with JTPA are increasing technical assistance to promote this program model. To be effective, it must be a discretionary program option for the SDAs. We would oppose its current language.

IDENTIFICATION OF DISLOCATED WORKERS

Amendments:

#18 Allows individuals to be eligible for Title III dislocated worker programs who were self employed and are unemployed as a result of general economic conditions or natural disasters.

#19 Permits a State to serve dislocated workers employed outside the State when employment was in part of a labor market located within the State.

NAB Analysis: Amendment #18 was originally characterized as one to clarify that farmers are eligible for dislocated worker training. Early in 1985, the Department of Labor issued guidance clarifying that Governors had the authority to define farmers as eligible. Self employed individuals are already eligible under the general criteria of the Act but must have worked within the State. In practice, most states have focused training funds on individuals identified by industry or site-specific plant closings. This may have restricted the attention given to self employed individuals, apart from farmers and others affected by the agricultural economy. The amendment does not require states to provide services to the self employed, but clarifies eligibility. As a result, it is not likely to change much of what states are currently doing or could do under current authorities. We have no problem with this amendment, but find it unnecessary.

Amendment #19 again appears to solve a minor administrative confusion. Under current law, states can serve dislocated workers across state lines through interstate agreements approved by the Secretary, or serve individuals who reside in the State but work across state lines. The language of the amendment points to "eligible individuals who are employed outside the State" as appropriate for assistance but does not clarify the residency issue. It might apply to both individuals residing within or outside the

State. Congress should allow services, in this case, regardless of residency, because cite-specific services for workers affected by a plant closing in such a labor market would not then have to be sorted out by residency. Otherwise, it does not appear to add anything to current law other than to waive interstate agreements requiring approval of the Secretary, and we do not find the amendment necessary.

EXPERIMENTAL JOB CORPS PROGRAM

Amendment:

#20 Requires the Secretary to establish experimental programs between SDAs and the Job Corps to test using SDAs for recruitment and placement of Job Corps enrollees, and for screening or referral of eligible youth between the Job Corps and other SDA training.

NAB Analysis: This could be done under current law but specifies congressional intent to see it done as a discrete demonstration. It would have a distinct evaluation component to test the feasibility of such arrangements. The experiment would determine whether SDA training programs and services can effectively serve otherwise Job Corps-eligible youth. (Last year, in proposing to eliminate the Job Corps, the President had argued that Job Corps enrollees could be served effectively with regular JTPA programs). Some SDAs already refer eligible youth to Job Corps recruiters, but placements are most commonly sought by the Job Corps centers or through local Job Service offices. The test would be interesting, but does not seem consequential enough to require statutory amendment when other means of getting it done are available.

TECHNICAL CLARIFICATION IN DEFINING ELIGIBLE YOUTH

Amendment:

#21 Amends the definition of "economically disadvantaged" to allow a youth age 18 and over, who has been self-supporting for at least a year, to be considered a "family of one" for purposes of determining income eligibility, if at the time of determination the youth is again residing with family members.

NAB Analysis: This amendment addresses a special circumstance in which a youth had been on his or her own for more than a year, but who, during a period of unemployment, has taken up residence with family members due to lack of income. In this case, eligibility would not be based on "family" income. The limited number of youth to which this amendment could apply does not seem to warrant legislative change. It singles out one unique circumstance and leaves out other significant and needy population groups, such as single-parents who may never have left home or were gone less than a year, older workers who may reside with family, displaced homemakers or recently widowed individuals left without income but whose "family" income within the last six months might exceed eligibility etc. Also it does not preclude serving middle-class youth found in these circumstances. Since the amendment serves no significant policy purpose, we do not support it. With limited JTPA resources, it is preferable to direct services to those youth most in need whose family income falls within current guidelines.

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Senator QUAYLE. Mr. John Thomas, executive director of the National Association of Counties.

Mr. Thomas.

Mr. PRICE. Mr. Chairman, my name is Hubert Price. I am a county commissioner from Oakland County, and I serve as the vice chair of the NACO Employment Committee, and I am pinch-hitting for Mr. Thomas today.

Senator QUAYLE. Thank you, Mr. Price. Please go ahead.

Mr. PRICE. Mr. Chairman, we appreciate the opportunity to testify on the Job Training Partnership Act Amendments of 1986.

Like you, Mr. Chairman, we do not believe major changes are necessary. We commend you and Senator Kennedy for cosponsoring these technical amendments. Overall, we believe they would make a significant contribution toward fine tuning the JTPA system without interfering with its demonstrated success.

While this legislation would address many of our concerns, we have several recommendations that we would like to see adopted.

The current distribution formula for within State allocation poses perhaps the most serious problem for local service delivery areas. Under this formula, States must allocate two-thirds of the funds available for local areas on the basis of the unemployment rate. The remaining one-third goes out on the basis of the number of economically disadvantaged that reside in the SDA.

As the average annual unemployment rate for a local area changes, funding may fluctuate drastically from 1 year to the next. In a 1985 NACO survey of title II-A funding, we discovered that a majority of SDA's suffered a cut in funds between 1984 and 1985, despite the fact that national funding remained constant. In a few extreme cases, SDA's suffered cuts in excess of 50 percent.

Mr. Chairman, I believe you will agree that extreme fluctuations such as these will severely disrupt services and damage credibility at the local level. Some level of stability in JTPA funding is essential for ensuring continued success. Without this assurance, it would be futile to continue the practice of developing 2-year plans as called for in the act.

The current formula presents a real problem for maintaining stability in funding at the local level. This problem cannot be adequately addressed by granting the Governor the option of awarding local SDA's the 90-percent hold-harmless. There is no assurance that each Governor would exercise this option when the need arises. Language in the proposed legislation would allow the Governor the discretion to provide local SDAs not more than 90-percent hold-harmless funding. This implies that Governors may provide hold-harmless funding at less than 90 percent. It would be unfair if some SDA's were assured only 70 or 80 percent, while others in neighboring States would be assured 90 percent of their previous year's funding.

The surest way of addressing this problem is by mandating a 90-percnt substate hold-harmless. The act provides 90-percent hold-harmless funding for States; the same should apply to local service delivery areas.

We support the change that would allow SDAs and States to request a ruling from the Secretary of Labor on disputed questions of law. The good faith reliance on such will be a defense in Labor Department and State audits. At present, States and SDA's are very concerned because there has been little or no Federal guidance with respect to audits. As a result, many States have imposed overrestrictive reporting requirements, trying to anticipate what the Office of the Inspector General and the Government Accounting Office will expect.

We oppose the change in the proposed legislation that would authorize the Governor to withhold funds from future SDA grants for failure to meet the 40-percent spending requirement for youth. In our view, the 40-percent spending requirement is unrealistic, particularly since youth populations vary drastically from one SDA to another, and since the cost for youth training is usually lower than adult training.

We appreciate the clarification that title II-A funds may be used for youth incentive awards in recognition of completion of attendance goals and other achievements. This will provide SDA's increased flexibility to assist participants with unique barriers to employment. And we further support the notion of living and residing with relatives in terms of determination of eligibility.

Mr. Chairman, thank you.

Senator QUAYLE. Thank you very much, Mr. Price.

Let me just ask a couple of quick questions.

Ms. Hammond, you ventioned that your Governor has already dealt with the performance standards to try to get to the hard-core unemployed, and cautioned against changing performance standards at the Federal level.

Are you basically saying that the Governors are going to be able to do this, and you do not want to see any changes in the performance standards as we recommended?

Ms. HAMMON. The Governors have the opportunity—and in our case in Ohio, Governor Celeste feels, the responsibility—to do exactly what you are proposing the Secretary do at the Federal level, because it is a Governor's program within the States. We certainly support the position that Governors should have the flexibility within their States to allow adjustments in performance standards, to use the incentive money to drive those programs in the directions in which they want them driven.

We heartily support any kind of leadership that you all can give us at the Federal level, as we move to make sure that services to the hard-to-serve are increased, and other Governors feel the same way.

Senator QUAYLE. Well, the reason we put that in there was because concern was expressed, throughout the hearings, about the so-called "creaming" issue. It is important to ensure that those that are truly in need receive such training, education, and opportunities.

Thank you very much for your testimonies. It has been very helpful and constructive, and we will considers your testimonies as we proceed with legislation.

Our next panel is Bill Colon, Jim Darr, Milton Little, William Gainer, Michael Levesque, Judy Sheets, Bonnie Voyles, and Charneil Hadl.

I think we will start with the lady from Whiting, IN, a good friend and long-time enthusiast for the Job Training Partnership

Act. You have been very helpful in giving us some recommendations on what the legislation ought to look like and we lood forward to your testimony on these amendments.

Judy Sheets, who is the director of planning and development at Calumet College in Whiting.

STATEMENTS OF JUDITH E.A. SHEETS, DIRECTOR OF PLANNING AND DEVELOPMENT, CALUMET COLLEGE, WHITING, IN; WILLIAM COLON, DIRECTOR, CORPORATION FOR EMPLOYMENT AND TRAINING, JERSEY CITY, NJ, AND PRESIDENT, U.S. CONFERENCE OF MAYORS EMPLOYMENT AND TRAINING COUNCIL; JAMES J. DARR, EXECUTIVE DIRECTOR, BOSTON PRIVATE INDUSTRY COUNCIL, BOSTON, MA; MILTON J. LITTLE, JR., SENIOR OPERATIONS ASSOCIATE AND JOBSTART COORDINATOR, MANPOWER DEMONSTRATION RESEARCH CORPORATION, NEW YORK, NY; WILLIAM J. GAINER, ASSOCIATE DIRECTOR, HUMAN RESOURCES DIVISION, U.S. GENERAL ACCOUNTING OFFICE, WASHINGTON, DC; J. MICHAEL LEVESQUE, STATE JTPA LIAISON, STATE OF RHODE ISLAND, PROVIDENCE, RI; BONNIE L. VOYLES, MEMBER, ATLANTA PRIVATE INDUSTRY COUNCIL AND EXECUTIVE VICE PRESIDENT, BRANELL COLLEGE, ATLANTA, GA, ON BEHALF OF THE ASSOCIATION OF INDEPENDENT COLLEGES AND SCHOOLS; AND CHARNEIL M. HADL, ASSISTANT SECRETARY, DEPARTMENT OF HUMAN RESOURCES, STATE OF KANSAS, TOPEKA, KS

Ms. SHEETS. Good morning, Senator. I had the feeling you were going to do that after the last panel, so I thought I had better be ready to start off.

First of all, as you know, you have my complete comments. I had not anticipated commenting on the State line issue for dislocated workers and have not done so in my written testimony, but having heard some of the comments already this morning, I feel compelled to say that I strongly support that particular provision. Having worked near the State line and watched so many of our steelworkers, who have been displaced, fall through the cracks as a result of the differences between the two States handling of dislocated workers, I feel it is a very essential thing. When I read the proposed ammendment. I thought, gee, this is such a great idea; I cannot imagine anyone opposing it. So please, on behalf of so many people who have fallen through the cracks, let me say that that ammendment definitely does need to be supported.

Senator QUAYLE. That is why we have it in there. I appreciate your comments.

Ms. SHEETS. Other than that, there are two issues that I would like to address in relation to the amendments. One of them relates to the strengthening of the enforcement provisions that you have made. I endorse what you already have in there, but I think that you have missed half of that particular point.

The other side of it relates to the needs of enforcement officials. In dealing with one of the provisions of the act which has not been discussed here today, the selection of service providers, the law was fairly clear about nonduplication of services and not creating a whole world of services that already exist. Unfortunately, without any kind of established procurement procedures, our enforcement officials are finding it very difficult to enforce this particular component of the law, and as a result, it might as well not be there.

I would therefore recommend that you consider the possibility of instructing the Secretary to actually define procurement procedures for service providers and that it be established that a violation of those regulations be considered a misapplication of funds. This would then tie it to title XVIII, section 665 of the United States Code and allow for clarity in investigation.

Currently, it is not clear whether or not these violations are civil or criminal, and as a result, it requires that parallel investigations proceed. This is a duplication of effort and costs a great deal of money. If we could tie this down and if we could clarify it we could make it a little bit easier for our enforcement officials. I think we will find that that will fine tune the other side of that particular issue.

The other issue I would like to address is the one about the changing of the provisions for the hard-to-serve population.

I am very concerned that if we start getting into such things as remedial education and English as a second language, we are duplicating the services that are already provided by the Department of Education. As such, we take the moneys that are desperately needed in job training and put them into the field of education. That is a little bit like legislating duplication of services. I feel we need to keep the focus of this particular piece of legislation and ensure that we keep it to job training and job related, as opposed to education based, as those services are already available. Let us coordinate, not duplicate.

Thank you, Senator.

Senator QUAYLE. Thank you very much, Ms. Sheets.

[The prepared statement of Ms. Sheets follows:]

TESTIMONY ON

S.2069

THE JOB TRAINING PARTNERSHIP ACT AMENDMENTS OF 1986

BEFORE THE

UNITED STATES SENATE

LABOR AND HUMAN RESOURCES COMMITTEE

SUBCOMMITTEE ON EMPLOYMENT AND PRODUCTIVITY

MARCH 11, 1986

PRESENTED BY

JUDITH E. A. SHEETS

CALUMET COLLEGE
2400 NEW YORK AVENUE
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Just as a chain is only as good as its weakest link, legislation is often judged by its worst case scenario. It is preferable to believe that people will act in an honorable manner but in reality all legislation must be capable of being enforced or it is without merit.

Preliminary oversight activities have reviled that JTPA has been successful in meeting the needs of the unemployed people of this country and achieved high placement rates at reasonable costs. I strongly support the premise that the amendments to the act should not represent any major changes but rather insure the necessary fine tuning. To that end I would like to address my major concerns and suggestions relating to the provisions of S.2069.

STRENGTHENING ENFORCEMENT

The suggested amendment allowing a State or SDA to obtain a ruling from the Secretary on disputed questions of law addresses an area of great concern. While it deals effectively with the needs of an SDA or State to reduce their liabilities in future audit findings, it represents only one side of the enforcement coin. Enforcement officials have found that the lack of clarify in the law, the lack of definitions, and the absence of a direct link between non-compliance and Title 18, Section 665 of the US Code has resulted in rendering parts of the Act unenforceable. Flexibility does not have to be devoid of good standards and practices.

Let us then look at some of the enforcement concerns. Once again let me stress that in some respects enforcement authorities must look at worst case scenarios. When examining current or future abuses it is important to understand that addressing structural issue will not eliminate abuses but rather provide the mechanism by which investigations and/or prosecution of alleged improprieties can be handled. The provisions included in the original language of JTPA concerning service provider selection represented a deliberate attempt to avoid duplication of services. Under CETA a large number of "store front" type schools sprang up providing training to CETA programs. Very often they duplicated services of established local institutions, were more expensive then training available through local established institutions, and left the participants with unusable and unrecognized credentials. JTPA contains a provision concerning service provider selection that was suppose to be designed to eliminate such duplication.

It should be kept in mind that this was never intended to drive legitimate proprietary schools out of existence. If the service could be established as being cost competitive, offer higher quality training, and the participant would end up with recognized legitimate credentials then the service should be considered and/or used. We have some very fine examples of proprietary schools offering high quality well recognized training. Legitimate proprietary schools have very definite standards of good practice.

Unfortunately as an enforcement official examines the process of service provider selection in light of the provisions under the law and current regulations of JTPA the standards of good practice are not clear. There are no established procurement procedures. Although this was initially done to enhance the flexibility of the legislation the current vagueness has had the effect of rendering this section of the law unenforceable.

There is a great deal of difference between clarity and constraint. It is possible to clarify standards of good practice, define terms, and establish informational requirements necessary for investigation and prosecution of alleged improprieties without destroying program flexibility.

It is also important to define which improprieties are to be considered civil in nature and which are to be considered criminal. This may not seem like a major issue in some respects but you must understand that investigations of alleged improprieties must be defined at the onset as criminal or civil and then all proceeding work must be maintained completely separate. We simply do not have the manpower or the resources to devote this kind of effort simply because the law and/or the regulations fail to be clear in defining what is criminal or what is civil.

With these issues in mind it is recommended that standards of good practice be established as it relates to selection of service providers under the Act.

1) Terms need to be defined. Among the terms that beg definition are placement, misappropriation of funds, misapplication of funds, collusion, conflict of interest, allowable cost and reasonable cost.

2) Procurement procedures need to be clearly defined. Standards of good practice should be established.

3) Violations of law and/or regulations concerning procurement practices should be considered a criminal act and as such should be tied into the provisions of Title 18, Sec 665 of U.S.C.A..

At this point in time it would be unwise to spell out the specifics of these issues in the language of the law. This is a matter best dealt with in regulations. The Secretary should be directed to address these issues by preparing regulations to cover these areas. It is suggested that hearing be held, both oral and written input solicited; draft regulations published and put out for comment; and final regulations published which are reflective of the issues and concerns expressed and in keeping with the spirit of the law.

It should be made clear, both as a part of this hearing record and committee comment, that the intent of this action is to clarify this area not constrain the SDA's. Standards of good practice in procurement, clear definition of what is considered criminal and what is considered civil, and workable definition of terms will strengthen the disputed component of this Act without restricting the flexibility.

PROVISIONS FOR HARD TO SERVE POPULATIONS

I have always supported job related training programs that represent a more substantial offering then some of the "quick fix" short courses being offered in response to the need to show "placement based performance" within a particular funding year. However, when JTPA begins to address multiple barriers to employment such as the need for remedial education or learning English as a second language I am forced to ask this subcommittee to once again focus on the purpose of a Federal Job Training legislation.

I am reminded that the Department of Education already funds a nationwide program to offer Adult Basic Education, GED preparation, high school completion programs, and English as a second language training. In addition to the funding that comes to the local school corporations for that purpose additional monies are provided under the Carl Perkins Vocational Education Act to fund programs for the disadvantaged in areas of educational remediation, English as a second language training and vocational counseling programs. These are education programs. These programs are available all across the country. For the JTPA to now assume this responsibility appears to be a serious duplication of services. With precious few Federal dollars available it does not appear wise to purposely legislate a duplication of services.

We must understand that JTPA was never meant to be all things to all people. It is not a "Comprehensive" program. It is intended to offer job training for the purpose of enabling individuals to obtain the job related skills necessary for unsubsidized employment. It is not a lack of concern that prompts these comments, it is a presence of focus. Initially we spoke of major changes. This change begins to look major when we realize that it moves JTPA into the field of remedial education and language training. It would would be better for us to look at coordination and cooperation not duplication.

Senator QUAYLE. Mr. William Colon, director of the Corporation for Employment and Training, in Jersey City, NJ, and president of the U.S. Conference of Mayors Employment and Training Council.

Mr. Colon.

Mr. COLON. Chairman Quayle and Committee members, thank you very much for this opportunity.

Mr. Chairman, I commend you for your leadership in examining the Job Training Partnership Act and in recognizing where it can be made better.

In particular, your attempt to stabilize year-to-year funding fluctuations at the local level is well intended. However, we strongly believe that a hold harmless at the local level does not go far enough in fixing the fluctuation problem which is inherent in the formula. It gives a heavier weight to variables that are likely to fluctuate, but that have no real bearing on the groups we serve.

For example, in my city, 75 to 80 precent of our JTPA participants are black and Hispanic. Their unemployment rates are about 15 to 17 percent and are constant. On the other hand, our average adult unemployment rate is around 9 percent, and it has more tendency to fluctuate as the economic climate changes. When this rate fluctuates, it changes our level of JTPA funding but not necessarily the more structural unemployment problem of the black and Hispanics, and certainly not the number of clients that come through our door.

In addition, since unemployment is not a requirement for eligibility, we also serve the working poor, who are missed in the unemployment count.

The problem is even more obvious, as Mayor Holland testified, in the application of this formula to the allotments for the Summer Youth Employment Program.

Recommendations for the Employment and Training Council, which were adopted last June by the U.S. Conference of Mayors, propose that more weight be given to the economically disadvantaged factor, less weight to the unemployment factor, and that the artificial unemployment rate triggers be eliminated as a factor.

The allotment of funds for the Summer Youth Employment Program should be based on an area's relative number of economically disadvantaged youth. Fixing the summer youth formula would also help to eliminate some of the problem of underspending by sending the dollars where the eligible youths are.

On your proposed amendments on performance standards, we appreciate your concern over local flexibility to serve the most needy client. The JTPA law and regulations already allow for the adjustment of standards to reflect the unique characteristics of an area, but at the discretion of the Governor.

In this area, we propose that this issue be negotiated between the service delivery areas and the Governor.

Also on the performance standards, your proposed amendment to measure the long-term impact of JTPA is well intended, but if there is no money attached to it, I am afraid that we are going to be in the same situation as we were under CETA, when we were spending tons of money to get this work done, and in JTPA, our dollars are very limited in this area.

Also, with respect to two of your youth-related amendments, we feel that on one hand, your amendments support local flexibility, and on the other hand they appear to take it away. Your proposed amendment to require an education component in the Summer Youth Employment Program does the latter. SDA's already have the authority to provide and are providing such services, and more are doing so where they recognize the need and the applicability. And in local areas, this is a situation where we can get into a trap because we might just become again responsible for things that we should not be responsible for, like the provision of basic skills and things that the school system should be doing. Later on we are going to be held responsible for that as well.

On your proposed amendment to withhold training funds from SDA's not meeting the 40-percent youth requirement and others, we disagree with such a drastic measure. We urge that in cases where SDA's are consistently not meeting such requirements, the Secretary examine the SDA's practices to determine why the requirements are not being met and help to provide a remedy, instead of penalizing the SDA's for not meeting the requirement.

Finally, we strongly support your amendment to eliminate the cost limitations from incentive grants under the 6 percent set-aside. This is a very good idea and will allow for a lot of creativity for us, and we will be able to do things that normally we would not be able to do.

Also, I would like to mention that on the Presidential awards—and this is on a personal note—I would say that it is a fine idea, but the recognition should not be on the business people that get involved at the level of planning and administering an SDA, but on the people that actually are employers who are actually committing and actually putting their money where they mouths are by actually hiring participants. This is not being done and it should be recognized.

Mr. Chairman, again I appreciate this opportunity to appear before you, and I would be happy to respond to any questions you may have.

Senator QUAYLE. Thank you very much, Mr. Colon.

[The prepared statement of Mr. Colon follows:]

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STATEMENT BY

WILLIAM COLON

PRESIDENT, CORPORATION FOR EMPLOYMENT
AND TRAINING, JERSEY CITY, N.J.
PRESIDENT, U.S. CONFERENCE OF MAYORS
EMPLOYMENT AND TRAINING COUNCIL

on

THE JOB TRAINING PARTNERSHIP ACT
AMENDMENTS OF 1986

Before the

LABOR AND HUMAN RESOURCES COMMITTEE
SUBCOMMITTEE ON EMPLOYMENT AND PRODUCTIVITY

UNITED STATES SENATE

MARCH 11, 1986

CHAIRMAN QUAYLE AND SUBCOMMITTEE MEMBERS, I AM WILLIAM COLON, PRESIDENT OF THE CORPORATION FOR EMPLOYMENT AND TRAINING, JERSEY CITY, NEW JERSEY AND AM TESTIFYING ON BEHALF OF THE U.S. CONFERENCE OF MAYORS' EMPLOYMENT AND TRAINING COUNCIL. THANK YOU FOR THIS OPPORTUNITY. MR. CHAIRMAN, I COMMEND YOU FOR YOUR LEADERSHIP IN EXAMINING THE JOB TRAINING PARTNERSHIP ACT AND IN RECOGNIZING WHERE IT CAN BE MADE BETTER. I ALSO COMMEND YOU FOR YOUR COMPASSION FOR PROGRAM PARTICIPANTS AND PROGRAM OPERATIONS AT THE LOCAL LEVEL AS REFLECTED IN SOME OF YOUR PROPOSED AMENDMENTS.

IN PARTICULAR, YOUR ATTEMPT TO STABILIZE YEAR-TO-YEAR FUNDING FLUCTUATIONS AT THE LOCAL LEVEL IS WELL INTENDED. HOWEVER, WE STRONGLY BELIEVE THAT A HOLD HARMLESS AT THE LOCAL LEVEL DOES NOT GO FAR ENOUGH IN FIXING THE FLUCTUATION PROBLEM WHICH IS INHERENT IN THE FORMULA. IT GIVES A HEAVIER WEIGHT TO VARIABLES THAT ARE LIKELY TO FLUCTUATE, BUT THAT HAVE NO REAL BEARING ON THE GROUPS WE SERVE. FOR EXAMPLE, IN MY CITY, 75-80 PERCENT OF OUR JTPA PARTICIPANTS ARE BLACK AND HISPANIC. THEIR UNEMPLOYMENT RATES ARE ABOUT 15-17 PERCENT AND ARE CONSTANT. ON THE OTHER HAND OUR AVERAGE ADULT UNEMPLOYMENT RATE IS AROUND NINE PERCENT AND HAS MORE TENDENCY TO FLUCTUATE AS THE ECONOMIC CLIMATE CHANGES. WHEN THIS RATE FLUCTUATES, IT CHANGES OUR LEVEL OF JTPA FUNDING BUT NOT NECESSARILY THE MORE STRUCTURAL UNEMPLOYMENT RATES OF BLACK AND HISPANICS, AND CERTAINLY NOT THE NUMBER OF CLIENTS THAT COME THROUGH OUR DOOR. IN ADDITION, SINCE

UNEMPLOYMENT IS NOT A REQUIREMENT FOR ELIGIBILITY, WE ALSO SERVE THE WORKING POOR, WHO ARE MISSED IN THE UNEMPLOYMENT COUNT.

THE PROBLEM IS EVEN MORE OBVIOUS, AS MAYOR HOLLAND TESTIFIED, IN THE APPLICATION OF THIS FORMULA TO THE ALLOTMENTS FOR THE SUMMER YOUTH EMPLOYMENT PROGRAM. RECOMMENDATIONS FROM THE EMPLOYMENT AND TRAINING COUNCIL, WHICH WERE ADOPTED LAST JUNE BY THE U.S. CONFERENCE OF MAYORS, PROPOSE THAT MORE WEIGHT BE GIVEN TO THE ECONOMICALLY DISADVANTAGED FACTOR, LESS WEIGHT TO THE UNEMPLOYMENT FACTOR, AND THAT THE ARTIFICIAL UNEMPLOYMENT RATE TRIGGERS BE ELIMINATED AS A FACTOR. THE ALLOTMENT OF FUNDS FOR THE SUMMER YOUTH EMPLOYMENT PROGRAM SHOULD BE BASED ON AN AREA'S RELATIVE NUMBER OF ECONOMICALLY DISADVANTAGED YOUTH. FIXING THE SUMMER YOUTH FORMULA WOULD ALSO HELP TO ELIMINATE SOME OF THE PROBLEM OF UNDERSPENDING BY SENDING THE DOLLARS WHERE THE ELIGIBLE YOUTHS ARE.

IN ADDITION, YOUR EFFORT TO CREATE MORE PROGRAM STABILITY MIGHT BE BETTER REALIZED THROUGH BIENNIAL ALLOCATIONS TO CONFORM WITH THE JTPA TWO-YEAR PLANNING REQUIREMENT.

ON YOUR PROPOSED AMENDMENTS ON PERFORMANCE STANDARDS, WE APPRECIATE YOUR CONCERN OVER LOCAL FLEXIBILITY TO SERVE THE MOST NEEDY CLIENT. THE JTPA LAW AND REGULATIONS ALREADY ALLOW FOR THE ADJUSTMENT OF STANDARDS TO REFLECT THE UNIQUE CHARACTERISTICS OF AN AREA, BUT AT THE DISCRETION OF THE GOVERNOR.

WHILE WE COMMEND THOSE STATES THAT WORK CLOSELY WITH SDAS IN NEGOTIATING AND SETTING PERFORMANCE STANDARDS, WE KNOW THAT THERE

ARE THOSE THAT DON'T. ON THIS ISSUE WE PROPOSE THAT THE SECRETARY OF LABOR REQUIRE STATES TO NEGOTIATE STANDARDS WITH SERVICE DELIVERY AREAS. THESE NEGOTIATIONS COULD HELP TO FOSTER BETTER STATE/LOCAL RELATIONS IN ADDITION TO PROVIDING GREATER FLEXIBILITY TO ADDRESSS UNIQUE LOCAL CONDITIONS AND NEEDS AND SERVE THE MOST NEEDY.

ALSO ON THE PERFORMANCE STANDARDS, YOUR PROPOSED AMENDMENT TO MEASURE THE LONG-TERM IMPACT OF JTPA IS WELL INTENDED BECAUSE SUCH AN ACTIVITY IS A REAL MEASURE OF THE RETURN ON OUR INVESTMENT. HOWEVER, MANY CITIES, BASED ON OUR CETA EXPERIENCES, CAN ATTEST TO THE EXORBITANT ADMINISTRATIVE AND FINANCIAL COSTS OF LONG-TERM PARTICIPANT FOLLOW-UP. SDAS ARE ALREADY CONSTRAINED BY FEWER OPERATING DOLLARS. TAKING ON SUCH A TASK WITHOUT AMPLE RESOURCES COULD POTENTIALLY SWALLOW UP JTPA'S ADMINISTRATIVE RESOURCES.

IN ADDITION, A MEASURE OF JTPA'S LONG-TERM IMPACT MIGHT INITIALLY BE MORE FAVORABLE THAN THE ENFORCEMENT OF MORE STANDARDS AT THIS TIME. A CANVASSING OF CITY EMPLOYMENT ADMINISTRATORS IN RESPONSE TO A U.S. DEPARTMENT OF LABOR INQUIRY LAST FALL REVEALED THAT 'CREAMING' IS DUE IN PART TO CURRENT PERFORMANCE STANDARDS AND WOULD LIKELY INCREASE WITH THE ENFORCEMENT OF LONG-TERM STANDARDS. ALL OF THE ADMINISTRATORS QUERIED SAID THAT THEY WOULD BE FORCED TO BE MORE SELECTIVE IN THE CLIENTS THEY SERVE.

WITH RESPECT TO TWO OF YOUR YOUTH-RELATED AMENDMENTS, WE FEEL THAT ON ONE HAND YOUR AMENDMENTS SUPPORT LOCAL FLEXIBILITY AND ON THE OTHER HAND THEY APPEAR TO TAKE IT AWAY. YOUR PROPOSED

AMENDMENT TO REQUIRE AN EDUCATION COMPONENT IN THE SUMMER YOUTH EMPLOYMENT PROGRAM DOES THE LATTER. SDAS ALREADY HAVE THE AUTHORITY TO PROVIDE AND ARE PROVIDING SUCH SERVICES, AND MORE ARE DOING SO WHERE THEY RECOGNIZE THE NEED AND THE APPLICABILITY. NO ONE KNOWS ANY BETTER THAN LOCAL PROGRAM OPERATORS THE EDUCATIONAL DEFICIENCIES OF MANY OF OUR SYEP CLIENTS. WE MUST BE TRUSTED TO MAKE DECISIONS ON SERVING THEIR NEEDS. YOUR PROPOSAL ALSO HAS THE POTENTIAL OF REDUCING THE NUMBERS OF DISADVANTAGED YOUTHS THAT CAN BE SERVED IF FUNDS ARE TO BE DIVERTED FROM THE CREATION OF SUMMER JOB SLOTS.

ON YOUR PROPOSED AMENDMENT TO WITHHOLD TRAINING FUNDS FROM SDAS NOT MEETING THE 40 PERCENT YOUTH REQUIREMENT AND OTHERS, WE DISAGREE WITH SUCH A DRASTIC MEASURE. WE URGE THAT IN CASES WHERE SDAS ARE CONSISTENTLY NOT MEETING SUCH REQUIREMENTS, THE SECRETARY EXAMINE THE SDAS' PRACTICES TO DETERMINE WHY THE REQUIREMENTS ARE NOT BEING MET AND TO HELP PROVIDE A REMEDY.

FINALLY, WE STRONGLY SUPPORT YOUR AMENDMENT TO ELIMINATE THE COST LIMITATIONS FROM INCENTIVE GRANTS UNDER THE SIX PERCENT SETASIDE. THIS WOULD SERVE WELL AS OUR WINDOW OF CREATIVITY AND FLEXIBILITY, ESPECIALLY IN OUR EFFORTS TO SERVE THOSE WHO HAVE ALMOST NO CHANCE OF PARTICIPAING IN THE MAINSTREAM OF OUR SOCIETY.

MR. CHAIRMAN, AGAIN I APPRECIATE THIS OPPORTUNITY TO APPEAR BEFORE YOU AND I WILL BE HAPPY TO RESPOND TO ANY QUESTIONS YOU MIGHT HAVE.

Senator QUAYLE. Next is Mr. Jim Darr, executive director of the Boston Private Industry Council. I have a statement from Senator Kennedy that he would like to put in the record, welcoming you. He has got another commitment; otherwise, he would be here.

Mr. Darr.

Mr. DARR. Thank you, Mr. Chairman.

We agree with the premise of these amendments that JTPA is basically working, and in fact, we think that Boston is a good example of how the partnership can function.

I would like to focus my comments this morning upon one particular proposed amendment. I think the whole package is very interesting. But the substate allocation formula is one that if it were changed, would have an immediate impact upon us in Boston. The others would not have such a quick impact.

We have heard a lot of reasons already this morning about why that is important. I would like to give you some specific examples of how that plays out in a city like Boston.

The last couple of years, we have been working with our business community and with the mayor and with the Governor of the State to try to expand funds for job training. We set a goal of raising $2 million above and beyond the basic allocation of JTPA. The idea here is to use JTPA as the foundation and as the tool. But the fact is that the JTPA resources are not sufficient to solve the problem.

So we have worked, we have raised $1 million from the private sector in the last 6 to 12 months. We have gotten matching commitments from the mayor and the Governor of the State to use their resources as well. Now we face a 21-percent cut in title II-A money beginning July 1. That in effect kind of knocks our legs out from under us as we begin. You might say, "Well, you have raised extra money. Why don't you just use that money?" But the whole idea of it was not to replace Federal cuts, but in fact to expand the basic system that we have convinced people in Boston works.

The second problem comes from the unemployment rate itself. Massachusetts enjoys a terrific unemployment rate, and our Governor is proud to talk about that unemployment rate. In the city of Boston, it is very good as well; it is only about 5 percent or a little bit less. That translates to just 15,000 people unemployed right now in our city of 600,000. However, there are 150,000 adults or people over the age of 16 who are poor, poor enough to qualify for JTPA. That is ten to one.

If you look at our $3 million title II-A, basic grant, that we look at for next year, that is $20 per person. Even if we eliminate the teenagers and the elderly, and cut it down closer to $100,000, it is only $30 per person. The real problem that we perceive in Boston is poverty. And if we are going to use this strong economy we have and that we are blessed with to do something about it, we need resources like JTPA. So to them go back to our business community and to look at this instability, to look at the consequences of it in effect sets us back severely, even in the context of a very healthy economy.

So to us, that is the key issue right now. It is one that your speedy passage would really help us in Boston. And we would urge that you do it in a way which does not provide discretion to Governors. As we have heard this morning, the more fundamental question of the formula itself is one that needs to be addressed. Instead of setting up some arguments around the country about which States will get which percentages, the cleanest and simplest method is simply to impose that 90-percent hold-harmless, then look at the formula, and we would encourage you to do that.

Thank you.

Senator QUAYLE. Thank you very much.

[The prepared statement of Mr. Darr follows:]

WRITTEN TESTIMONY SUBMITTED TO THE
SUBCOMMITTEE ON EMPLOYMENT & PRODUCTIVITY
OF THE
LABOR AND HUMAN RESOURCES COMMITTEE

HEARING ON S. 2069

THE JOB TRAINING PARTNERSHIP ACT AMENDMENTS OF 1986

BY

JAMES J. DARR
EXECUTIVE DIRECTOR
BOSTON PRIVATE INDUSTRY COUNCIL

March 11, 1986

Thank you for the opportunity to comment on the amendments to the Job Training Partnership Act which have been proposed by Senator Quayle and Senator Kennedy. In Boston, we agree with the premise of these amendments; namely, that the partnership in JTPA is doing quite well after its first two years. This is not a time to revamp the legislation, but to clarify and refine it.

Although the amendments are intended as modest solutions to very specific problems, they touch upon some sensitive and complicated subjects. Indeed, they strike me as a carefully crafted attempt to balance the concerns of those impacted by JTPA with the original goals of the legislation. We support the package of amendments, particularly the one regarding the substate allocation formula, but there are some aspects which deserve further consideration, either now or when the amendments are reviewed with the House.

The Boston JTPA partnership is one of the strongest in the country. It was begun in 1979, as one of the experiments under Title VII of CETA. It has led to some model programs which have attracted considerable attention, such as the Boston Compact. We have an excellent cadre of chief executive officers who support our activities and we have seen our efforts take off despite severe funding limitations.

There are a number of reasons for our success, the chief of which has been the leadership we have enjoyed from our business chairmen, currently Jack McElwee, CEO of John Hancock Insurance, and from our public officials, including Boston Mayor Ray Flynn and School Superintendent Laval Wilson. Another reason for our success relates directly to the proposed amendments.

From the outset of the Boston PIC, we have regarded the federal legislation, first Title VII and now JTPA, as a means to an end, as a tool, and not as the cause or purpose of our partnership. JTPA is the occasion, not the mandate. Thus, our Board of chief executives and public leaders has focused relatively little on the management of the legislation. It has concentrated on the barriers to economic opportunity for Boston residents and tried to devise strategies to overcome them.

The public schools are a good example. In 1980 it became clear to our Board that a major part of the long-term solution to poverty and unemployment must be an improvement in the effectiveness of the Boston Public Schools. Our Board realized that school improvement would be an arduous, lengthy process, especially given Boston's recent school history. We began with a private sector summer job program for high school students who met certain performance expectations. In 1980, we placed 125 students. Each year this program has grown. In 1985, we placed 2,320 students in 500 companies at an average wage of $4.50 per hour. Out of this job success has come the landmark agreement of the Boston Compact, in which companies give priority in hiring to graduates of the public schools. 2,000 graduates have now been hired by Boston companies full-time in the three years of this agreement. A survey of the Class of 1985 shows that only 5% of the class is unemployed and 87% of those working full-time were placed by us. Since 70% of these graduates come from economically disadvantaged families and 80% are black, hispanic, and asian, this is quite a record.

In the JTPA world, this sort of thing is sometimes referred to as an "in-school" program. The important fact, though, is that it was done by a JTPA entity - the PIC - but without using JTPA funds for direct services. JTPA created - and sustains - the PIC management structure which, in turn, has found private resources for school programs. This effort continues to expand. We now coordinate twenty-five pairings of large companies with specific high schools. There is a new dropout prevention program for ninth graders. And our Board of Directors is talking about programs for the middle schools.

We have taken a similar approach to other issues. In 1982, because of the experiences we were having with a direct placement program we operated with the Mayor's Office, we realized that the lack of litreracy skills was a serious problem for adults in the labor force. We knew we would not have the resources with JTPA to make a dent in this problem.

So while our Board was restricting the adult component of JTPA to vocational training, we were working with the Mayor to use Community Development Block Grant funds to set up fourteen neighborhood literacy programs. These programs were designed to serve all levels of literacy need and to feed their graduates into JTPA programs and into the labor market.

More recently, we have launched another initiative, known as BostonWorks, to transfer the business partnership of the public schools to the needs of poor and underemployed adults. We have raised nearly $2 million non-JTPA dollars, including nearly $1 million from the private sector, to expand literacy and job training. The essential idea of BostonWorks is to link the labor demands of local employers with the reservoir of unemployed or underemployed in Boston's neighborhoods.

Each of these initiatives - the Compact, Adult Literacy, BostonWorks - involves partnerships around fundamental problems which will also help achieve the goals of JTPA. We have been able to pursue them because of the foundation of support JTPA provides. We have been able to think strategically because we have had the flexibility of JTPA as a tool. Our efforts will be threatened, particularly BostonWorks, as a consequence of the instability of JTPA funding. We are worried about total JTPA funding and about the formula which distributes that money to the Service Delivery Areas. We believe that the protection which states have against wide swings in their funding, the 90% hold harmless, should be extended to the substate level.

In 1985, Massachusetts had the lowest annual unemployment rate in the nation, 3.9%. One immediate consequence is that we face a 21% cut in Title IIA funds in Boston beginning this July. A change in the substate formula would not eliminate this cut, but it would soften its impact this year and in future years.

Wide annual fluctuations in funding are lethal to effective planning and the participation of the business community. JTPA is unique among federal programs in its degree of hands-on business involvement. While our employers are concerned about the deficit, they believe that JTPA is itself a measure that will reduce the future obligations of the government on behalf of those who cannot support themselves. When we go back to business leaders in Boston and explain once again why there are sudden shifts in JTPA funds, it exacerbates an existing tendency to be skeptical of these kinds of programs.

It is also bizarre. Right now with a city unemployment rate of about 5%, Boston has 15,000 people unemployed among its 600,000 residents. However, we have 150,000 people over the age of 16 who are poor enough to qualify for JTPA. Even if we eliminate the elderly and the teenagers, we still have over 100,000 adults under the poverty line. With a projected $3 million in JTPA Title IIA for next year, this gives us $30 per person.

The unemployment rate is an inadequate measure of the need for JTPA. JTPA will work best when there are real jobs available and when there is a real demand for labor. It is not a job creation program, but a job training program. It is precisely in states like Massachusetts where the potential of JTPA to get at stubborn problems of poverty can be realized. The current formula weights unemployment too strongly. We urge the members of this Subcommittee to meliorate the impact of the formula by giving cities the same protection as you gave the states back in 1982.

The change in the substate formula should be automatic from the federal level, across the board, and not left to the discretion of governors. This is not only because of the political imbroglios which it might create in some states, but also because it is consistent with the original approach of JTPA. The Quayle-Kennedy amendments are quite faithful to the JTPA spirit. Since the formula is federal, let the hold harmless apply federally.

The amendments would also make several changes in the JTPA performance standards. There is a real need to develop the type of long-term impact measure which was anticipated in the legislation. As I interpret it, the amendments would spur the Labor Department to this task. We need to know the real return on the JTPA investment. This is essential to evaluate JTPA programs and to market them to the business community.

Current performance standards emphasize immediate outcomes. There are a couple reasons why they will be hard to change. First, it is a quick way to guage results. If you are making funding decisions on an annual basis, you want to know as fast as possible what has happened. Current practice is also cheap to administer. If a follow-up standard is developed, serious attention needs to be given to how its costs will be borne. I have a suggestion on this which I will cover in my comment on the 6% set-aside.

A second hindrance to an investment measure relates to the inherent limitations of JTPA and similar programs. Right now we pay programs to educate and place, but we only measure placement. It will be helpful to speed up the implementation of youth competency performance standards. Similar standards might be applied to adults. If we are going to pay people to educate and train, we should measure, first and foremost, whether their clients have learned anything. The subsequent labor market success of those clients is less a judgement on the specific course than on the overall wisdom of the legislative approach.

Applying a long-term investment measure to specific training programs may be like swatting a fly with a baseball bat. We must know what happens to program participants six months and a year after placement. Knowing how many were placed in jobs is a poor proxy for this.

How we measure outcomes brings me to the other performance standards amendment, the one which would reward SDA's that provide longer term training for the hard-to-serve. Since I do not believe that JTPA is currently creaming, I think this amendment tries to solve the wrong problem. The means-test for JTPA eligibility guarantees that a needy population is being served. There is a real administrative cost to this case-by-case means test. Within the framework provided by the legislation, there is ample room for local policy-makers to focus on those groups who will most benefit from their limited resources. I mentioned earlier that in Boston we have $30 of Title IIA money for each disadvantaged adult in our city. With this ratio, we must make some hard choices about who we serve, but we must also strike a balance between those who need help and those who can be helped with this particular tool. DOL figures show that JTPA is serving, more or less, the same population as CETA. Why drive SDAs toward devoting more resources to fewer clients? You end up with Hobsonian choices, in which we can "choose" between serving more 25 year old AFDC mothers with children or more 25 year old men with a history of substance abuse.

I think that the desire to fine-tune the performance standards at the national level will not work. A modest adjustment one way or another will have little effect on the practical decisions being made locally. Further, I think the performance standards already err in being too prescriptive about inputs and not focused enough on results. The standards, especially as embellished by some states, have become another way to make JTPA into a categorical program. Each SDA should have a single output measure, based on long-term economic improvements for its average client. Within this standard, we should have complete flexibility to have both shorter programs which are inexpensive and longer programs which are riskier. Corporations are weighed in the stock market on their net performance. Within a company such as General Motors some projects, like Saturn, will return no profits for many years, and others, like the Cadillac, provide high unit profits right now. GM needs to make a profit, but its managers will balance a variety of decisions in allocating its resources. JTPA managers should be free to do the same thing. We should be rewarded when we achieve results - placements or whatever - for less cost. We can do this by serving a mixture of clients, by defraying costs through non-JTPA funds, or other means. Present performance standards inhibit JTPA entrepreneurship. The adjustment for the hard-to-serve will not seriously aggravate this nor will it accomplish its goal.

The cluster of changes aimed at youth are, with one exception, good ideas. We already use incentive payments in our program for ninth graders. Small amounts can have large effects. Broadening the scope of the 40% to include younger teens as well as self-supporting teens makes sense. Although Boston has not had trouble spending 40% on youth, we recognize that this has been a problem elsewhere and better enforcement of the provision will prompt change.

We agree that many of the youth in the summer Title IIB program have poor basic skills and that it is desirable to do something about them in the summer. We have been part of the Ford Foundation's summer remediation experiment each of the last two years. So we definitely support the concept of linking, in the subsidized job program, learning and working. However, we do not think this should be mandatory. Program decisions of this kind should be made locally, through a local political process, and not imposed from above. Isn't this the key idea of the job partnership?

We also need to be cautious about the impact of such programs. You cannot make up years of poor education in a few summer weeks. Yes, you should always maximize resources and make the most of each program dollar. However, what counts is what happens during the school year: the ten months when these kids already sit in expensive classrooms. Young people with learning problems do "lose" somewhat more in the summer than other students, but all students lose. Let's not think we can fix an engine knock by patching a tire. I would like to see all of JTPA's funds come as a block grant and encourage PICs to utilize their resources as leverage with the public schools, as we have done with the Boston Compact. In any case, SDAs should be encouraged and helped to offer summer remediation, but not required.

The proposed changes in the Governor's six-percent set-aside would be very useful, particularly dropping the cost limitations. If similar limits were removed from the Governor's eight-percent education set-aside that, too, would become much more valuable money. Presently, the 6% is so small an amount that it has little impact on SDA behavior. Removing the cost limitations would be like taking a leash off. I would suggest allowing states and SDAs to spend their money on followup studies, so that they would have an added incentive to take the long-term impact measure seriously.

Finally, I think that the amendment clarifying the process through which DOL would rule on questions of JTPA law will be much appreciated in the field. Combined with the excellent idea for Presidential awards, it will remedy the perceived lack of guidance and support which many Service Delivery Areas have felt. The "de-regulation" implied in the transition from CETA to JTPA has been salutary and we would be the last to encourage any regressive movement whatever. However, there is still plenty of room for active leadership from the Labor Department both in recognizing excellence and in resolving thorny operational questions.

The Job Training Partnership is working in Boston. We are using it creatively as a foundation on which we can build a real local system to address our city's chronic problems of poverty, illiteracy, and underemployment. Passage of a substate hold harmless and some of the other proposed amendments will help us to do our jobs better. We urge that you move them forward.

Senator QUAYLE. Next, we will hear from Milton Little, Jr., who is the senior operations associate and JOBSTART coordinator for the Manpower Demonstration Research Corporation in New York. Mr. Little.

Mr. LITTLE. Good morning, Mr. Chairman and thank you for the opportunity to comment on the proposed amendments to JTPA.

I would like to share with you some of the lessons that MDRC has learned, in over 10 years of conducting rigorous research in employment programs targeted to the economically disadvantaged. Among the populations we have worked with are teen parents, AFDC recipients, youthful high school dropouts, and other disadvantaged youth.

There are two programs which we have operating right now which provide the underpinning for my remarks today. The first JOBSTART, a program targeted to young people 17 to 21 who have dropped out of high school, who are reading below an eighth grade level, and JTPA eligible; the second in it Multistate Demonstration of State Work/Welfare Initiatives which is studying the effectiveness of a variety of employment related programs on AFDC recipients and applicants.

The topics that I would like to address today are the proposed amendments in the performance standards, issues related to the provision of service to youth under the 40-percent requirement.

Emphasis on placement rates and low cost services increase the tendency of SDA's to work with those who are least likely to need service, and/or most likely to get jobs on their own.

We have found in our work that placement rates and cost are not necessarily the most appropriate indicators of program effectiveness. We use a rigorous experimental design involving experimental and control groups in our demonstration. What we have found in over 10 years of that work is that if a program achieves high placement rates by working with people who would have found jobs on their own, it really has not accomplished much, nor has the money been well spent.

Programs which work with those who would be unlikely to find a job on their own may have lower placement rates, but may have made greater impacts on employability and earnings in the future.

The performance standards should be constructed to reflect what has been learned about program impacts, based on vigorous experimental design. While less is known about the impact of training programs for youth, we have found clearly that high school dropouts and teen mothers are two groups which obviously require and seem to benefit more from long-term, more intensive, and therefore more costly training programs. But while they are likely to have lower placement rates and earning rates, they are likely to have greater long-term benefits.

We have found that despite the adjustments that you propose, SDA's may still not opt to target service to this disadvantaged population. Generally, they are more interested in exceeding performance standards than really targeting service to the most needy.

In terms of services to youth, with the critical state of black teen unemployment, we have found the failure of many SDA's to reach the 40-percent requirement to be one of the most disturbing aspects of the new JTPA system.

Some of the proposed amendments would remove or moderate some of the constraints. We support the use of incentive payments for educational achievement, vocational achievement, and attendance.

However, the requirement that incentive payments not be counted as part of training costs would still make it difficult for many SDA's to afford such incentives.

And last, youth competency standards. Performance standards should be based on things that are attainable and realistic. We have seen a program that operates in a major city where only seven young people out of a total of 150 were able to reach the competency attainments that had been established. We have found those competencies to be more of a deterrent than an incentive to serve the most disadvantaged.

I have a copy of my statement and would like to place it in the permanent record.

Senator QUAYLE. Mr. Little, your statement will be inserted in the record, along with the comments you have just made.

[The prepared statement of Mr. Little follows:]

TESTIMONY OF

MILTON J. LITTLE, JR.

JOBSTART COORDINATOR

MANPOWER DEMONSTRATION RESEARCH CORPORATION

BEFORE THE

EMPLOYMENT AND PRODUCTIVITY SUBCOMMITTEE

OF THE

SENATE LABOR AND HUMAN RESOURCES COMMITTTEE

MARCH 11, 1986

Good morning. I am Milton J. Little, Jr., Senior Operations Asssociate and JOBSTART Coordinator for the Manpower Demonstration Research Corporation. MDRC is very pleasd to have the opportunity to comment on the proposed amendments to the Job Training Partnership Act, and to share with you some of the lessons we've learned in over ten years of conducting rigorous research on employment programs for disadvantaged youths, adolescent parents, AFDC recipients, young high school dropouts, and the mentally retarded.

Today, I will limit my remarks to MDRC's research findings and operational lessons that relate directly to your interest in adjusting the Job Training Partnership Act so service delivery areas can more effectively serve the more disadvantaged segments of the eligible population. Of particular interest is the work we are currently doing in two demonstrations: JOBSTART, a program combining remedial education, occupational skills training, support services and placement services to young high school dropouts reading below the eighth grade level; and our multi-state Demonstration of State Work/Welfare Initiatives, which is studying the effectiveness of a variety of employment-related programs on AFDC applicants and recipients.

The two topics that I would like to address in some detail today are:

- o the proposed changes in the performance standards for JTPA; and
- o issues relating to the provision of services to youths under the 40 percent expenditure requirement.

In closing, I will also add a few words about use of private sector employers in the summer youth program, based on our experience in the Youth

Incentive Entitlement Pilot Projects.

Performance Standards

To begin with, we would like to congratulate Senators Quayle and Kennedy for calling for performance standards which reflect "that certain characteristics of program participants justify additional costs or lower performance." MDRC believes that such a change would help push the JTPA system in the direction of serving more of the harder-to-employ segments of the disadvantaged population. Based on our research findings, we feel that serving the harder-to-employ represents an important use of public funds and a wise investment.

The emphasis in the current performance standards on high placement rates and low costs increases the tendency to work with those individuals who are most likely to get jobs quickly and who require the least investment of training time, staff work and support services. Unfortunately, however, these are precisely the persons who would be likely to get a job on their own, even in the absence of the program. This raises the question of whether such measures as high placement rates combined with low costs are by themselves the most appropriate ways to judge program success.

MDRC's work suggests that, in fact, they are not. In our research, we evaluate program effectiveness by using an experimental research design. When persons apply for services, they are randomly assigned to be in either an experimental group, which is eligible for services, or a control group, which is not. Both groups have similar demographic characteristics. This allows us to compare the employment and earnings gains of the experimentals with those of the controls, in order to determine what difference the program made. The impact of the program -- the true measure of success -- is defined as the difference between the two groups in employment, earnings, and welfare receipt at a given point in time.

A consistent finding in our work with single heads of households who have applied for or are receiving AFDC, is that program impacts on employment and earnings are higher for the more disadvantaged groups than for those who would be considered more employable, using a measure like recent work experience. This is true even though the placement rates for the more disadvantaged are not as high.

Let me give an example from our recent study of Baltimore's Options Program, which provided a variety of training, education, and work experience programs for AFDC recipients, and was run jointly by the Department of Human Resources and the Mayor's Office of Manpower Resources, which operated CETA and JTPA programs. Five quarters after program enrollment, the employment rates for experimentals with work experience in the previous year were more than twice as high as for those who did not have prior work experience. However, impacts from the program were more than twice as high for those with no prior work experience than for those with work experience. (See Table 1 and Figure 1.) In other words, many of those who participated in the program would have found employment anyway, even without the program.

These findings -- which are consistent with MDRC's evaluations of work/welfare programs in San Diego, Arkansas, and findings from our studies of the National Supported Work Demonstration and a job search program operated under WIN in Louisville -- suggest the following lessons:

- o first, if a program achieves high placement rates by working with individuals who would have found jobs on their own, it has not really accomplished very much, and the money may not have been well-spent.
- o second, a program which works with those who would be unlikely to find a job on their own may have lower placement rates, but nevertheless have made a greater change in the employment and earnings of the enrollees.

MDRC believes that performance standards should be constructed to reflect what has been learned about program impacts, based on experimental designs. Your proposal for amending the current performance standards in JTPA is an important step in that direction.

More work remains to be done, however, in identifying the enrollee characteristics that are most likely to affect program impacts related to employment, earnings, and welfare receipt. MDRC's analysis of AFDC applicants and recipients who are single heads of households and enrolled in a variety of employment and training programs suggests that prior work experience is a key variable for this group. Our investigation of this and other variables, such as prior education, length of welfare receipt and number of children, is still continuing.

Unfortunately, less is known about the impacts of training programs on different segments of the youth population, because the numerous CETA evaluations were not based on experimental designs. MDRC is using an experimental design with random assignment to evaluate its JOBSTART demonstration, but the results of the study will not be available for several years. We would urge that any future research on JTPA programs be designed to yield reliable data on these issues, and that the findings be reflected in performance standards in the future. In the meantime, young high school dropouts and teen mothers are two groups which obviously require -- and seem likely to benefit most from -- more costly, lengthier and more intensive training programs, although they are also more likely to have lower outcome measures on placement rates and earnings.

Finally, MDRC would like to point out that, while it is important to adjust performance standards so that SDAs are not penalized for serving the harder-to-employ segments, such adjustments may not be enough to encourage service to these groups. MDRC's operational experience in JOBSTART, the Grinker-Walker study on the early implementation of JTPA, and current data collected by the Department of Labor on JTPA performance, all suggest that SDAs can be more interested in exceeding the performance standards than in using what flexibility there is to serve harder-to-employ groups.

If placement is to remain a measure of program success, it may therefore be advisable to establish different placement rates for different subgroups within special target populations, such as dropouts, persons with little prior work experience, teen mothers. Another approach would be to give more "credit" or weight to placements or other outcome measures for members of some subgroups than for others.

Services to Youth

MDRC also commends the sponsors of S. 2069 for their interest in ensuring that SDAs meet the statutory requirement of spending 40 percent of their Title IIA funds on youth. At a time when the unemployment rate for black teenage males has been about 40 percent, the failure of many SDAs to meet this requirement remains one of the most disturbing aspects of the new JTPA system. Of equal concern is the related failure of most SDAs to meet the requirement for equitable service to dropouts.

Requiring the Secretary of Labor to submit a report on the implementation of the 40 percent expenditure provision during the early years of the act should provide the basis of recommendations to further improve services, but a number of problems are already apparent. MDRC's own experience in mounting its JOBSTART demonstration for high school dropouts points to some of the legislative requirements and local JTPA policy and practices that can make it difficult for JTPA operators to work effectively with the youth population in general, and with the dropout population in particular. JOBSTART will be run at between 12 to 15 sites across the county, and local and state JTPA agencies are providing the bulk of the operating funds.

A number of the proposed amendments to JTPA would remove or moderate some of these constraints. For example, sites which wanted to offer incentive payments for educational achievements or good attendance in JOBSTART were unable to do so using JTPA Title II funds, and had to find other funding sources to pay for them. This proved to be a time-consuming effort, even when successful. The amendment to allow such payments under JTPA would ease the problem considerably; however, the requirement that such payments cannot be counted as a training cost would still make it difficult for many SDAs to afford such incentives.

Similarly, lifting the cost restrictions of the use of funds from the 6 percent set-aside would greatly benefit SDAs that want to experiment with innovative programs, giving them greater flexibility than current law allows.

As already discussed, one of the most serious operational obstacles to serving young dropouts would be addressed by the development of performance standards that reflect the fact that the more disadvantaged among the youth population will require more costly services and are more likely to have lower outcomes on such measures as program completion, educational gains, placements into jobs, and wages.

While the establishment of national performance standards based on youth competency achievements is a welcome departure from an emphasis on placements as the most appropriate outcome for the youth population, our experience with JOBSTART indicates that it is important that the required level of accomplishment not be set unrealistically high. In particular, competency standards should take into account that lower-functioning youths can be expected to progress more slowly than high-functioning youths, and may require extra time or enriched services to reach the same grade gains.

Great care should be taken to ensure that neither national nor local performance measures create disincentives to serving the more disadvantaged among the JTPA population. The education competency standards established by the Private Industry Council and written into a performance-based contract for a JOBSTART pilot, for example, were set so high that only seven out of 140 youths in JTPA-funded remedial education programs across the city would have qualified as positive terminations under the terms of the contract. In practice, the standards served as a strong deterrent to JTPA operators interested in working with the dropout population, and made it very difficult to move enrollees into training courses.

While many of the proposed changes will help interested SDAs to serve more dropouts and problem youths, they do not guarantee that the required service levels will be met. If the revised performance standards, the establishment of national youth competencies and other proposed reforms in the current amendments do not produce the desired effect of more service to youths and to the harder-to-serve segments of the JTPA eligible population, MDRC would urge this subcommittee to consider the possibility of identifying significant segments within the youth population and requiring that at least half of the 40 percent of funds reserved for youth be spent on them. The groups that come readily to mind are dropouts, potential dropouts, and teen mothers.

Finally, I would like to express a concern about the proposed amendment to allow try-out employment in the summer youth employment program without requiring that employers hire the youths at the end of the try-out period. When MDRC evaluated the Youth Incentive Entitlement Pilot Projects, we found that even when offered a 100 percent subsidy to hire disadvantaged youths, only 18 percent of the private sector employers contacted in a special demonstration project were willing to take on a youth. Others refused primarily because they did not have enough work, or had work which demanded higher skills than high-school youths could offer. There is a danger, therefore, that the proposed change would not create new job opportunities for the JTPA eligible population, but only provide a windfall to employers.

In addition, we would be concerned that the proposed change would undermine the efforts of business/government partnerships to generate unsubsidized private sector jobs for youth during the summer months. At the minimum, we would recommend that such an option be limited to non-college bound graduating seniors.

In summary, MDRC's work points to the value of encouraging the JTPA system to work with the harder-to-employ, and we commend the Senators for incorporating that viewpoint in their proposed changes to the JTPA legislation. I would be happy to answer any questions the committee members might have regarding my testimony or MDRC's work.

TABLE 1

SUMMARY OF FIFTH QUARTER IMPACTS ON AFDC APPLICANTS AND RECIPIENTS IN BALTIMORE, BY PRIOR-YEAR EMPLOYMENT STATUS

Outcome in Fifth Quarter	Prior Employment[a]	Experimentals	Controls	Difference
Percent Ever Employed	None	23.1	16.8	+ 6.3***
	Some	52.9	50.0	+ 2.9
Average Total Earnings ($)	None	340.78	219.72	+121.05**
	Some	866.00	877.05	-11.04
Percent Receiving AFDC Payments	None	75.5	77.7	- 2.2
	Some	80.5	81.6	- 1.0
Average AFDC Payments ($)	None	818.54	833.25	-14.71
	Some	449.59	464.40	-14.81

SOURCE: Friedlander et al., 1985a.

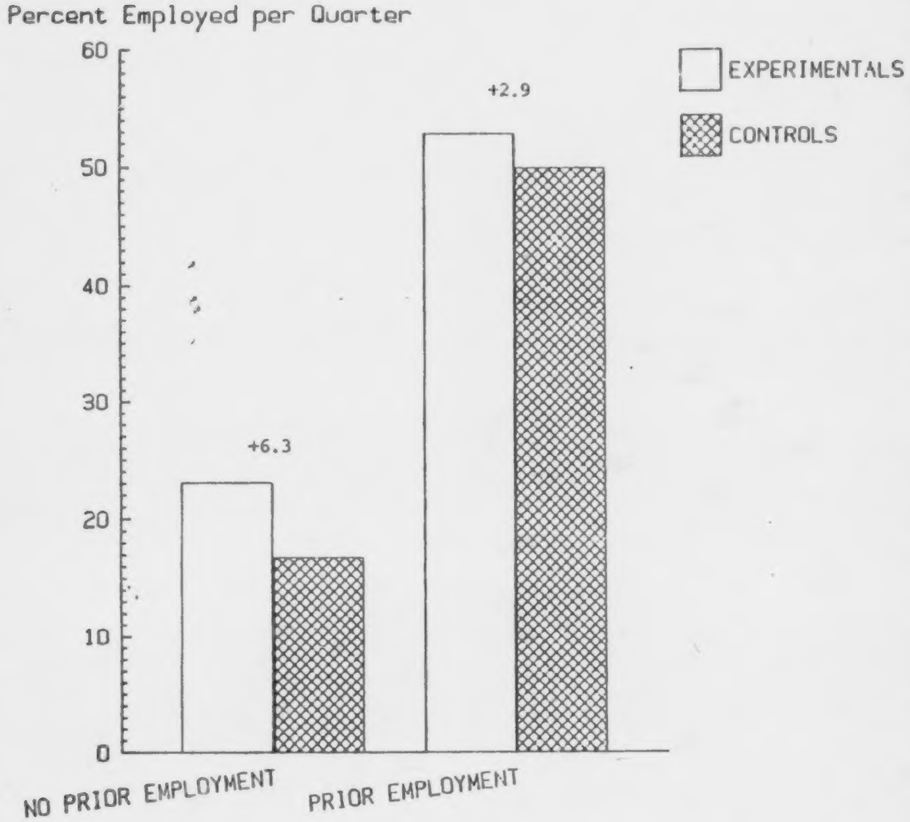
NOTES: These data include zero values for sample members not employed and for sample members not receiving welfare. There may be some discrepancies in calculating sums and differences due to rounding.

Denotes statistical significance at the 5 percent level; and * at the 1 percent level.

[a] 55.2% of the sample had no employment in the year prior to random assignment.

FIGURE 1

EMPLOYMENT IMPACTS IN QUARTER FIVE FOR AFDC STUDY IN BALTIMORE, BY EMPLOYMENT STATUS IN YEAR BEFORE PROGRAM ENTRY



Senator QUAYLE. Next, Mr. William Gainer, Associate Director, Human Resources Division, U.S. General Accounting Office here in Washington. Mr. Gainer.

Mr. GAINER. Senator Quayle, I have a much longer statement that I have submitted for the record, and I would like to comment on just a few points, generally related to sections 2(a) and 2(b), which deal with new performance standards for the program.

I believe that we could say we concur with the need for the first standard on post-program employment data, and we think the second standard on youth employment competencies is very desirable, but it may meet with some problems based upon the kind of information that Labor is collecting on youth employment competencies, and based upon the fact that the definitions that are now available for the program leave a great deal of latitude to local SDA's in not only how they set the means to achieve the standard, but also in what the standard should mean.

For example, one local SDA that we visited in our research had a standard for pre-employment/work maturity. That standard involved being in training for 3 or 4 hours and then sitting down and being able to answer a few simple questions about their career goals. That, under the present situation and with Labor's guidance, would be counted as positive termination, right beside another program in another SDA which required not only pre-employment and work maturity, but basic education and job skills, and involves several hundreds of hours of training and would be much more suitable for a youth who was having difficulty with reading and writing, which is the major barrier, I believe, to the entrance of youth into productive careers. I would also like to make a point that I think is very important. It relates to much of the work that we have done for the Congress on JTPA over the last couple of years. Much of that work was done to answer specific questions that the Congress was interested in and for which adequate oversight information was not available through the Department of Labor.

For example, in much of the work we have done on dislocated workers and on title II–A, we have never been able to get adequate information at the local level to answer this key question: What kind of people get what kind of training and what kind of outcome do they have in the labor market?

We can tell you on average what placement rates are; we can tell you on average what kind of people are served. But we cannot get to the issue that Mr. Darr raised, which is: Are you providing the services needed to the individuals that need them, and is it getting you a good result?

I think that is a key problem, and in passing legislation, you might want to take into account that the Office of Management and Budget continues to make it difficult for Labor to collect the information it needs for program oversight, and I think that is a key problem which Labor will continue to face, and that it will continue to create difficulty for your committee and others in the Congress when they want to know if this program works for the right people. Thank you.

Senator QUAYLE. Thank you, Mr. Gainer.

[The prepared statement of Mr. Gainer follows:]

SUMMARY OF TESTIMONY ON S. 2069
WILLIAM J. GAINER, ASSOCIATE DIRECTOR
U.S. GENERAL ACCOUNTING OFFICE

Preliminary results from two ongoing GAO studies on (1) youth employment competency systems and (2) the adequacy of the Department of Labor's data collection system are relevant to two provisions of S. 2069. These provisions require Labor to establish performance standards for the attainment of youth employment competencies and postprogram employment and earnings of adults. GAO's results highlight three specific concerns.

First, Labor's data collection system has two serious limitations that raise questions about its adequacy as a basis for establishing performance standards and supporting congressional oversight: (1) broad definitions of terms reduce the comparability of information among states and local areas and (2) key data elements needed for congressional oversight are not available. Labor is proposing some improvements to its data system, but certain important problems will still remain.

Second, Labor's proposed collection of postprogram data on adults' earnings and employment would provide information to allow Labor to add an adult performance measure that focuses on longer-term results, which GAO endorses. GAO believes consideration should also be given to collecting employment follow-up information for older youths, whose employment success should also be encouraged.

Third, a performance standard for youth employment competencies could provide a useful measure of program success, but the data Labor is proposing to collect on youth competency attainment will not be adequate to set that standard. The youth competency systems being implemented by the local job training agencies vary widely, as do their definitions of what a youth must achieve to be reported as a positive termination. This lack of comparability across locations could also impact on the appropriateness of distributing incentive awards based on youth competency attainments. Labor needs to provide more detailed definitions of an acceptable competency system and positive youth competency terminations.

U.S. GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

FOR RELEASE ON DELIVERY
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STATEMENT OF
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BEFORE THE
SUBCOMMITTEE ON EMPLOYMENT AND PRODUCTIVITY
SENATE COMMITTEE ON LABOR AND HUMAN RESOURCES
ON
THE JOB TRAINING PARTNERSHIP ACT
PERFORMANCE STANDARDS AND INFORMATION SYSTEMS

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to assist you in your deliberations on Senate bill 2069 (The Job Training Partnership Act Amendments of 1986), which would make a variety of changes in the Job Training Partnership Act (JTPA). My testimony will focus on potential implementation problems related to two provisions in the bill which would require the Department of Labor to expeditiously establish performance standards for

--the attainment of youth employment competencies and

--the longer term (postprogram) success of participants in the labor market

GAO concurs with the need for postprogram standards and the desirability of youth competency standards. If passed and properly implemented, these two provisions of S. 2069 could provide improved measures of program success and would encourage local and state administrators to continue to emphasize tangible results under JTPA. I will also make some observations concerning the adequacy of Labor's management information system in congressional oversight, because the success of these performance standards depend upon the availability of reliable and comparable program data.

My statement today is based on preliminary results from two ongoing GAO studies of (1) the youth employment competency systems established by local JTPA service delivery areas (SDAs) and (2) the Department of Labor's data collection system and its utility in congressional oversight. I would like to make three major points which will then be discussed in greater detail:

--Our recent work on Labor's data collection system raises questions about its adequacy as a basis for establishing performance standards and supporting congressional oversight. The lack of comparability of information among states and localities is a recurring problem in analyzing program results caused by the use of very broad data element definitions. Another problem is that certain information important to oversight is not available, such as the amount of training provided to important subgroups of participants. Labor is proposing some significant improvements to its system, which we support, but these particular problems will remain.

--Labor's proposed collection of employment follow-up data on adults will allow it to successfully add the postprogram performance measure required under section 2(b), providing a positive focus on longer-term employment results in addition to the present job placement standard. Labor does not plan however to collect this information on employment status and wages for youths age 18 to 21, which would also be useful in understanding program success.

--The performance standard on youth employment competencies required by section 2(a) may not, however, provide an accurate measure of program success. This is because labor's data collection proposal does not adequately define either a youth competency system or successful attainment of youth competencies, thus failing to assure that programs aim at making youths job ready. Labor could solve this problem by providing more detailed definitions of (1) an acceptable competency system and (2) a positive youth competency termination.

Section 2(a) and (b) of S. 2069 requires that the two new performance standards be established by July 1, 1986. We support establishment of these as soon as possible; however, if, as planned, Labor uses the same methodology that it used to set the existing performance standards, then Labor would not be able to implement standards until 1988 when the needed data becomes available. The present standards are based on JTPA program data reported by all SDAs during program year 1984. To establish new standards more quickly, an alternative methodology or another data base (such as the CETA data) would have to be used. The standards could then be revised in program year 1988 on the basis of actual experience under JTPA.

BACKGROUND ON PERFORMANCE STANDARDS AND LABOR'S DATA COLLECTION SYSTEM

The basic measures of performance under current JTPA legislation are increases in employment and earnings and reduction in welfare dependency. To determine if these objectives have been met, the act provides the Secretary of Labor with wide latitude to set performance standards for adult and youth programs and to specify outcomes such as job placement, as well as longer-term outcomes that relate to increased employment and earnings and decreased welfare dependency. The act also permits the states to adjust performance standards to take into consideration local economic, geographic, and demographic factors. JTPA also directs Labor to provide program oversight, to evaluate program effectiveness, and to report annually to the Congress on JTPA's achievements. Labor is authorized to direct the states to maintain and report such information as it requires to carry out these responsibilities. To date, Labor has established performance standards for measuring immediate participant outcomes, but has not established standards for measuring longer-term outcomes because OMB disapproved the collection of data needed to set such standards.

In addition to job placement, another outcome available under the original JTPA legislation is the attainment of youth employment competencies which, the private industry council (PIC) believes, would improve the employability of youth. The concept of competency-based employment training involves identifying the skills that are needed to be successful in the local labor market, then determining which of those skills each participant needs training in, and then measuring each individual's attainment of those skills during training. Such a training system may include not only training in occupational skills, but also in basic education skills and the skills needed to search for a job and enter the labor market.

JTPA performance data is collected through two annual reports. One report provides Labor with statewide summary data on the number of participants and program expenditures. Another report, the JTPA annual status report, which is submitted by all SDAs through their state agencies, provides cumulative data on all participants and terminees, the socio-economic characteristics of terminees, and program performance in relation to performance standards. The purpose of the status report has been to (1) allow Labor to develop national performance standards for measuring immediate program outcomes, (2) provide the states with the information to adjust the standards based on local factors, and (3) provide governors with a basis for measuring performance. When the program began in 1983, Labor proposed collecting data on participant's postprogram employment and wages and the attainment of youth employment competencies in order to set performance standards but subsequently abandoned this effort because OMB would not support it.

Labor also develops a quarterly "quick turnaround" report to supplement its annual status report. This report provides descriptive statistics on a sample of enrollees and terminees from 194 of the 594 SDAs nationwide. Labor also attempts to obtain information on youth competency systems through this data collection effort; however, such information is not always available because SDA's are not required to keep it.

Labor has recently developed an alternative data collection plan which would modify and expand the information provided by states and localities. The plan which was forwarded to OMB on January 10, 1986, would include data on post program employment experience on adults and competency attainment on youth.

LIMITATIONS OF LABOR'S DATA COLLECTION

Labor's current data collection system has two limitations which will not be alleviated by proposed revisions to the annual status report.

--The definitions provided for most data items lack specificity thus reducing comparability from place to place, and youth competency outcomes are undefined.

--The system does not provide some program information important for congressional oversight.

Definition of data items collected

Although each of Labor's data collection reports has certain limitations, one problem common to all the methods--the broad nature of data element definitions--will impact on the implementation of youth competency performance standards. Labor has provided a glossary of definitions, but terms are broadly defined and allow the states significant discretion in determining what is to be covered by a particular term. For example, Labor's definition of "program termination," the date the participant leaves the program, allows some localities to define termination as the end of training while others retain individuals as participants for up to 90 days after completion of training or services, thus increasing their opportunity to be placed in a job and to be counted as a positive termination.

Labor's recent reporting proposal would modify its existing data collection system and expand it to include data on youth competency attainment and postprogram employment status and earnings of adults. Adding post program information would help interpret the significance of some of the termination data. However, not only would some definitional problems in the current system remain, but collecting data on youth competency attainment would increase the definitional problems.

Competency attainment differs from the other outcome measures specified in the original act in one very important way. With other measures, such as employment or earnings, the act specifies the desired outcome but leaves to local agencies, within certain broad guidelines, the process they will use to achieve the outcome. With youth employment competencies, however, local programs also define the desired outcome (the competencies themselves and the criteria for attainment), as well as the process they will use. Thus, success in the program can be defined in ways that differ markedly from one location to another.

Lack of oversight information

Information not sufficiently available for congressional oversight which we consider to be very important is that which allows the matching of participants to specific training and successes--that is, we cannot adequately answer the question "what services are being provided to which participants and with what outcomes?" As we have noted in earlier testimony[1], there are significant problems with Labor's ability to provide such information. For example, description of the kind of training that is provided comes only from a national sample of SDAs, so there is no way to compare programs across SDAs or across states. If some SDAs show more successful outcomes than others, there is no reporting mechanism that can relate the success to activities that might be transferable to other programs. Nor can specific training provided in an SDA be related to the characteristics of those receiving that training. Also, the number of hours actually spent in training, which is one important measure of the extent to which valuable services are received is not available. For example, with the proposed reporting revisions we will not know whether attaining a particular youth employment competency generally takes 2 hours or 200.

POSTPROGRAM EMPLOYMENT PERFORMANCE STANDARDS

The JTPA legislation requires that the Secretary of Labor develop performance standards that contain "reasonable indicators" of earnings and cash welfare payment reductions at some time after program termination. At present, however, performance standards apply only to the employment status of adults and youths at the time of termination and not their longer term success in the labor market. Section 2(b) of S.2069 would require Labor to establish performance standards for measuring long-term outcomes for adults starting July 1, 1986.

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[1] Statements of Richard L. Fogel, Director and William J. Gainer, Associate Director, Human Resources Division, Before the Subcommittee on Employment Opportunities, House Committee on Education and Labor, May 2, 1985, and November 8, 1985, respectively.

Proposed additional reporting

Labor has proposed to begin collecting information in its annual status report for program year 1986 (July 1, 1986 - June 30, 1987) that would allow it to set standards for postprogram employment experience of adults. Given the current schedule (for collection and availability) these data could be used to set experience-based standards for program year 1988. Labor does not plan to collect these data for youth.

Revisions to the annual status report, currently under review by OMB, would require SDAs to follow up through participant contact with adults 13 weeks after termination. This follow-up would produce information on (1) employment rates, (2) average weekly earnings, and (3) average number of weeks worked. These data would come from all adult terminees or where the number of terminees in an SDA was large from a representative sample.

Observations About Reporting Proposals

We believe this additional information will be valuable in several ways:

--It will provide the data base necessary to set postprogram performance standards.

--It will provide much-needed information such as whether the employment rates reported at termination are being maintained for at least 13 weeks after termination.

With the current definitions of "entered employment," SDAs can be reporting very different outcome--entered employment can mean being on a job for one day or for a much longer period. Once the follow-up data are required in the annual status report, Labor would have the option of adding these items to the quick turnaround survey, which is drawn from the same administrative files. The quick turnaround report is Labor's only current source of data on individual enrollees and terminees, and individual data are necessary for analysis of characteristics of participants in relation to services provided and program outcomes.

I would also like to bring to your attention what we consider to be an important omission from Labor's proposal--the department is not planning to collect employment follow-up data for youths. Such information on employment and earnings would be of value for older youths (those 18-21 years old). Labor explains this decision by citing the fact that youth are typically less stable in their employment and that their employment status alone might be an unreliable measure of the value of the program.

YOUTH EMPLOYMENT COMPETENCY STANDARDS

In addition to job placement, JTPA specifies several other outcomes for evaluating youth program performance. One of these outcomes is the attainment of youth employment competencies which the local private industry council believes would improve the employability of youth. Section 2(a) would require Labor to establish performance standards for youth competencies beginning July 1, 1986. As mentioned earlier, Labor has not collected data needed to establish such a youth competency standard, but has proposed a data collection requirement which (given the current schedule and methodology), would permit it to create such a standard for program year 1988. But as noted earlier Labor's proposal would not overcome definitional problems which may significantly limit the utility of the standard. With regard to youth competencies:

--there are two basic definitional problems with the competency data Labor propses to collect,

--these problems may negatively impact the JTPA incentive awards system, and

--the solution to the problem and would require action by both Labor and the states.

Two definitional problems

Labor has classified youth competencies into three major skill areas: (1) preemployment and work maturity skills (includes knowledge of the labor market and occupations, career planning, job search techniques, and positive work habits and behavior); (2) basic education skills (including reading comprehension, math, writing, speaking, and the capacity to use these in the workplace); and (3) job specific skills (proficiency in performing actual tasks and technical functions required in certain occupations).

The majority of SDAs nationwide have implemented or plan to implement a youth competency system. In response to an initial screening of all SDAs in the 50 states and the District of Columbia in April 1985, 389 indicated they had implemented such a system and another 143 were developing a system at the time. These systems may be very important in developing a capability to serve youth; however, our detailed survey of a sample of SDAs and in-depth studies of eight others illustrate potential problems with proposed performance standards.

First, because Labor has not defined what an acceptable competency system is, there are great variations among the SDAs in the types of systems they are establishing, and this can result in a wide disparity in the amount of training which youths, even those with very similar needs, might receive. The act provides SDAs with wide latitude in setting up competency systems. For example, out of 81 SDAs which responded to our detailed questionnaire, 40 percent provided training only in preemployment/work maturity competencies. Only 21 provided training in all three competency areas. Typically, the amount of training provided also differed. The total time required to provide a youth with preemployment competencies is often in the range of 20 to 40 hours of classroom training, whereas several hundred hours are needed to provide job-specific skills. Thus, two SDAs with the same percent of positive terminations (based on youth competencies) could be providing very different training.

The second definitional problem would exist even if all SDAs offered training in the same competency areas, because in the absence of guidance SDAs have adopted widely varying definitions of what constitutes a positive termination. Some SDAs impose stringent criteria on themselves, while others design programs making it easier for a youth to be counted as a positive termination.

One SDA we visited provided only preemployment competency training. This SDA's private industry council approved 24 requirements, and a youth had to meet at least 22 to be considered a positive termination. This took about 40 hours of classroom training. By contrast, another SDA we studied which also offered only preemployment competency training had 15 requirements, but required that only one be met to be counted as a positive termination. Meeting one requirement could take as little as 3-4 hours of training.

Even where training in more than one of the three major competency areas is provided, there is a great variation in what constitutes a positive termination. For example, one SDA which provided both preemployment and job-specific skills he would not report a positive termination based only on the attainment of preemployment competencies. A youth was required to attain both to be reported as successful. At the other extreme, in another SDA, where preemployment and job specific skills were offered, preemployment training involved about 2 hours, (including interest and aptitude testing, counseling, and information on how to search for a job and identification of sources of training and education). After completing this 2 hour session, each youth was asked to identify his or her areas of highest vocational interest and aptitude. After this, a youth could fail to return for any additional training but still be reported as a positive termination.

In our view, these examples indicate a need for Labor to provide better definitions of the level of competency attainment that should be required to justify a positive termination. We recognize that local private industry council autonomy in designing training programs is fundamental to JTPA, but the definition of adequate performance should be defined at the federal level on this performance measure as it has been for other measures such as job placement.

Implications for incentive awards

JTPA provides an incentive for SDAs to perform well. Six percent of title II-A funds provided to each state are to be used, in part, to award incentive grants to SDAs which exceed performance standards. In making awards, states must consider all performance standards established by Labor. As a result, it is in each SDA's self-interest to produce the best possible results on each performance standard.

With youth employment competencies SDAs are allowed to provide their own definition of good performance, and there is a risk that an SDA might choose to use criteria that make it relatively easy to report positive terminations for youth. If this occurs, it could result in providing incentives which work counter to legislative intent. Thus, if SDAs which have imposed more stringent success criteria develop the perception that they are losing incentive award money to others with less stringent criteria, they might simply lower their own criteria to compete for incentives. Thus, their performance statistics could show an improvement, when, in fact, nothing had changed but the criteria for measuring success.

Possible solutions

To date, Labor has not defined explicitly what constitutes an acceptable youth employment competency system, other than to define the three major skill areas which a system might include. However, in proposing to collect data on competency attainment, Labor has specified that competency gains must be achieved through program participation and must come from a system that includes

> "quantifiable learning objectives, related curricula/training modules, pre- and post-assessment, employability planning, documentation, and certification."

Beyond defining the three skill areas in general terms, no other requirements are placed on what constitutes either a youth competency system or competency attainment under such systems. Labor could take two actions to solve the problem.

First, it could provide a more detailed definition of an acceptable youth employment competency system. A system that provides only preemployment or work maturity training for youths lacking other employment competencies may be of limited value for many participants. The basic education and/or job-specific competency areas could be included as mandatory to an acceptable system. Requiring their inclusion would reinforce the goal of helping youths become job ready as opposed to merely providing them with some of the skills they need.

Second, Labor could define, at least in general terms, an acceptable level of training to justify a positive termination. That is, once an acceptable competency system is in place, a guideline is needed to define an acceptable outcome in terms of the type and extent of training needed to claim a positive termination and insures that it results in some significant value to the participant.

Third, Labor could have the three competencies reported separately for performance measurement and set different numerical standards for each system. For example, the standard for the preemployment/work maturity competency would be set at a much higher level than the standard for basic educational skills.

To Labor's credit, it plans to require that youth employment competency systems include both the preemployment/work maturity and basic education competency areas starting in program year 1988. Labor has also published a technical assistance guide on competency based systems which it is distributing to all SDAs and state agencies. These are positive steps but they are not in our judgement likely to overcome the problems discussed earlier.

Regardless of the actions Labor takes, the states will still play an important role in assuring that these performance standards are properly implemented.

Mr. Chairman, this completes my prepared remarks. My colleagues and I will be happy to answer any questions you may have.

Senator QUAYLE. Next, Mr. Michael Levesque, State JTPA liaison, State of Rhode Island, in Providence.

Mr. Levesque.

Mr. LEVESQUE. Thank you, Senator.

Mr. Chairman and distinguished members of the committee, on behalf of Governor Edward D. DiPrete, I would like to thank you for this opportunity comment on proposed amendments to the JTPA. My comments, of course, are in response to a staff draft of potential JTPA amendments dated January 22, 1986, which was made available as a courtesy to employment and training professionals at a conference in Burlington, VT, in late January.

In our view, President Reagan and the authors of the Job Training Partnership Act did a remarkable job in structuring the original piece of legislation. They produced a blueprint to involve the private sector in the process of reshaping America's workforce and training for new and shifting industries, not by a Government handout, but by basic fundamental services that provide the opportunity for those with the will to take the first step. It worked.

And now we see that you, Senator Quayle, have taken a look at the progress of the program and have authored new amendments to improve on the existing legislation, amendments that we feel reflect a keen understanding of the inner workings of the JTPA Program, amendments that deserve the support of job training professionals and your committee.

We support all of the recommendations contained in the staff draft, with only one minor suggested change.

Therefore, out of consideration to your time constraints, I will focus my remarks on particular aspects of the proposed amendments and refrain from commenting on each item. I am, of course, at your service should you have any questions.

As a former small businessman, I appreciate what work force preparation and training cost offsets can mean. As a member now of an agency that includes people who serve on national, technical, and advisory groups, the president of the New England Training and Employment Council and the architect of our very successful Dislocated Workers Program, I have gained great respect for the public side of the partnership. In short, in my view, the partnership is working for people who want to work.

Three of the suggested amendments that we are particularly pleased to see concern the substate distribution formula, the Title III Dislocated Workers Program, and adjusting the performance standards to allow us to better serve those most in need. I point to these three especially because the recommended changes are important to both the private and public sides of the partnership.

System stability is important to both sides of the partnership. We therefore welcome and strongly endorse new authority for Governors to invoke a substate hold-harmless provision. In our view, this is the single most important item on the agenda, and we feel that the amendment as proposed will make this stability a reality.

The second amendment that we warmly applaud deals with the Title III Dislocated Workers Program. Our Governor and our staff have long held the view that provisions for serving out-of-State members of a dislocated group need to be clarified, especially for New England, where work forces commonly have an interstate character.

Governor DiPrete and our staff also welcome and fully endorse the elimination of the matching requirement. Wearing my public sector hat, I know that when dislocation occurs, our first question should be "How can we help?" and not "How can we match?" Wearing my private sector hat, I know that if my company had to layoff or to close, I would greet the news of a matching requirement with disbelief. As one company official told me, "If I had money or resources to use as a match, I would not be closing."

The third amendment requires the Secretary to adjust the performance standards for the hard-to-serve. To be perfectly frank, Senator, the system is somewhat performance-driven. Sometimes job placement credit can outweigh the basic opportunity to help those most in need. We need to reach into the hard-to-serve populations and provide training opportunities that move a family from stagnation and despair to proud, skilled members of the work force.

Adjusting the performance standards so that we can better help the hard-to-serve is clearly the answer to this problem.

The only change that I would like to suggest to the proposed amendments is a minor one. Under the category of "enforcement," there is a proposal to enforce 40 percent and other percentage requirements by withholding funds from future grants, effective July 1, 1986. We prefer to see the effective date changed to Julu 1, 1987 in order to give the SDA's a chance to meet or exceed those percentage requirements before being subjected to the loss of funds.

Again, thank you for this opportunity to share our views. We are providing copies of these remarks as well as technical items to support our remarks.

Thank you once again, Senator, and good morning.

Senator QUAYLE. Thank you very much, Mr. Levesque.

Next, Ms. Bonnie Voyles, member, Atlanta PIC and also executive vice president of Branell College in Atlanta, speaking on behalf of the Association of Independent Colleges and Schools.

Ms. Voyles, welcome.

Ms. VOYLES. Chairman Quayle, thank you for the opportunity to view our concerns as the Association of Independent Colleges and Schools, and also as a representative of a PIC Council and an executive committee member.

The private career schools and colleges and members of AICS have been active providers, many of them in the JTPA training. We represent approximately 1,000 schools, with 610,000 students enrolled. For many years, we have been performance-based in the very nature of our schools, and the success of these institutions depended on effective placement. So we are very familiar with performance-base.

In my written testimony, I have referred to Branell College being a contractor in the JTPA Program. In program year 1984, we enrolled 130 students with a placement rate of 88 percent. It gave us an opportunity to show other contractors that we could excel in placement, which is what the performance base was about. The average wage at placement in our SDA was considerably higher than the national standard.

I referred in the testimony also to a story of two graduates who are just typical of the type of people who benefit from JTPA training.

We concur very fully with some of the changes, but we agree that only minor adjustments need to be made. We consider that JTPA is working very well in most areas.

The area of performance standards, we feel that tracking is necessary, long term, but should not be used to trigger payments to contractors. We concur also that the SDA's have performed exceptionally well in their placement rates, and that was in large part due to the training that providers or contractors gave. So consideration should continue to be given in the SDA's to contracts that have been successful.

Regarding youth, the financial incentive we feel should not be used to such an extent that the funding available for training is diluted.

There are other kinds of awards that would work with youth—certificates, nonmonetary awards. We also think there was a close look at the Department of Labor and the Department of Education to clarify the relationship between JTPA funding and the Pell Grant Awards, under the Federal Student Aid Programs.

We question, the reasonableness of including 14- and 15-year-olds in the calculation as to whether the SDAs have complied with the 40-percent youth requirement.

We also concur that a limited guarantee or hold harmless at the State level will have positive results for the program, and we feel it would give assurance to job training providers that they can plan for funding in coming years.

Also, the Presidential awards, we feel, has a lot of viability.

The major strength of the program we see as the requirement that you set that 50 percent of the representation on the PIC be business community-based. That was a strong factor. Also, the percentage of funds used for CETA and the percentage of JTPA, we feel much more training is being done under JTPA.

Also, performance-based contracting, the private schools for years have had to be performance-based in order to stay in business. So we feel that that effectively encourages contractors who are doing a good job.

In the record, I have also listed our recommendations for slight problems. Many of these have already been covered today, so thank you very much for allowing us to testify.

Senator QUAYLE. Thank you very much.

[The prepared statement of Ms. Voyles follows:]

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STATEMENT BY

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BEFORE THE

SUBCOMMITTEE ON EMPLOYMENT AND PRODUCTIVITY
COMMITTEE ON LABOR AND HUMAN RESOURCES
U.S. SENATE

REGARDING

S. 2069, JOB TRAINING PARTNERSHIP ACT AMENDMENTS OF 1986
AND RELATED ISSUES

MARCH 11, 1986

Chairman Quayle. Members of the Subcommittee. My name is Bonnie Voyles and I am Executive Vice President of Branell College, Inc., Atlanta, Georgia. I am also a member of the Metro Atlanta Private Industry Council (PIC) and serve on its executive committee. Accompanying me is Mr. Stephen Parker, Director of Branell College's main campus in Atlanta. In addition to representing the students and administration at Branell College, our testimony reflects the perspective of the Association of Independent Colleges and Schools (AICS).

Thank you for the opportunity to testify today on the Job Training Partnership Act (JTPA) program. The JTPA is a considerable improvement over the Comprehensive Employment and Training Act (CETA) and we agree with you that the changes to the program, though necessary, should not be major. Our testimony will describe AICS and the involvement of private career schools and colleges in JTPA programs; describe Branell College and its JTPA involvement; review S. 2069, the Job Training Partnership Act Amendments of 1986; highlight the strengths of the JTPA program; and identify problems and recommendations for improvement in the program.

THE PRIVATE CAREER SCHOOLS AND COLLEGES WHICH ARE MEMBERS OF AICS ARE ACTIVE PROVIDERS OF JTPA TRAINING.

The Association of Independent Colleges & Schools (AICS) was founded in 1912 and now has a membership of 637 diverse business schools and colleges and another 368 branch campuses. Its institutions range from business or specialized schools offering training of up to one year in length to junior and senior colleges offering recognized associate and baccalaureate degrees.

Approximately 610,000 students are enrolled in these institutions, representing a broad range of income and racial backgrounds. Approximately

90% of the AICS-accredited institutions are taxpaying business corporations; all of the institutions are non-public. In common with all non-public institutions, they are either entirely or primarily tuition-dependent for operating revenues.

AICS member institutions are accredited by the Accrediting Commission of the Association of Independent Colleges and Schools. Since 1953, the Accrediting Commission of AICS (formerly known as the Accrediting Commission for Business Schools) has engaged in the evaluation and accreditation of independent colleges and schools. In 1956, the Accrediting Commission was officially designated by the U.S. Commissioner of Education as a nationally recognized accrediting agency.

Job training and performance-based objectives are nothing new to private career schools and colleges. For over a hundred years, these private institutions throughout the country have prepared the unskilled for the labor market. The success of these institutions depends on the very thing that makes performance-based contracting effective -- placement in a job which marries the training of the student client with the demands of the job market. Unsubsidized by direct state and federal funding, private schools and colleges must give their students useful training, adequate support services, and long-range career counselling, or the institutions will not be successful. Thus, these institutions have been involved in "performance-based" training for many years prior to JTPA and CETA.

Involvement in JTPA programs is higher than it was in the CETA programs, primarily because private career schools and colleges have a natural bias towards performance in job placement. However, there remain political limitations and long-held biases toward private institutions in the provision of training under a federal job training program. We encourage Congress and the Department of Labor (DOL) to monitor biases and political and administrative impediments to equal opportunity for all types of training providers in order to compete in the JTPA programs. We firmly believe that, if allowed the equal opportunity to compete, our institutions will be very successful bidders to provide JTPA services.

BRANELL COLLEGE IS A SUCCESSFUL CONTRACTOR IN THE JTPA PROGRAM.

Branell College was established in 1969 and currently has a main campus in Atlanta and two branch campuses in Sandy Springs, Georgia and Nashville, Tennessee. Total enrollment at all three campuses is approximately 750 students, including JTPA clients. Courses are intensive in nature and focus on preparing students for careers in business, primarily in the secretarial field. The secretarial training emphasizes high technology, including computers and word processing. The curriculum also stresses job search skills counseling and career strategies.

The college is currently in its second year of a JTPA contract at all three locations and its success rate has been quite high. For example, in the FY84 JTPA program year, we placed 114 of 130 (or 88%) of our JTPA clients in jobs requiring the skills received in the JTPA program. The average wage at placement was considerably higher than the standards required by the JTPA performance standards. Both the cost per participant and the placement rate were significantly better than other JTPA providers of similar training in the Metro Atlanta PIC area. In program year 1985, we have trained or are training 75 students in high tech secretarial skills. We expect our placement rate to be as high as last year and the average wage at placement being comparable.

As examples of the successful nature of our JTPA training, I would like to relate the experiences of two of our recent graduates. One graduate turned her life around by completing our secretarial program and, at the same time, losing a hundred pounds. While the weight loss can be primarily attributed to the student, her professional training as a result of the instruction provided by Branell College and the JTPA certainly had a great deal to do with her confidence and desire to succeed in a career. She now receives a salary of $18,000 a year as an office manager for an insurance company and is in charge of office procedure, accounting and word processing. She read about JTPA in a Branell newspaper advertisement and considers that the turning point in her new outlook on life.

Another JTPA graduate was an unemployed, divorced homemaker with no marketable job skills. She needed training in order to obtain a job so she could receive a decent wage to support her child. After the intensive high tech secretarial training she received under JTPA at Branell, she become a secretary in a legal firm at a salary of $19,000 a year. Through JTPA, she obtained the funds for tuition, transportation, and very importantly, child care. She was so committed to her JTPA classes that she travelled 84 miles daily from her home to reach the Branell College Sandy Springs campus. This type of commitment shows that there are unskilled individuals who, given the right opportunity, will be successful.

S. 2069 PROPOSES SOME POSITIVE CHANGES TO THE JTPA.

We concur fully with your desire to limit the legislative changes to the JTPA. We, too, believe that only minor adjustments are necessary and some of those were incorporated in your bill. The following is a brief discussion of each of the major proposals which directly affect job training providers.

Performance Standards

We agree that it may be necessary to track JTPA clients after completion of the JTPA program, but this tracking should be for information purposes only. It would be unreasonable and create disincentives for the training providers if the payment of funds to job training contractors was contingent on the continuation of a client graduate in the job in which they were placed for more than a 90-day period. Job training contractors should not be penalized merely because graduates of the program, for whatever reason, were unable to remain in the job.

To some extent, JTPA clients have already experienced personal and professional failure, or they would not be in the program. Thus, placing them in their first job as a result of the job training signifies "success." If there is to be tracking of graduates after placement, we encourage the use of such information for subsequent JTPA contract awards. You will find in reviewing placement rates of different training providers that these rates are quite disparate.

We concur with your comments that SDAs have performed exceptionally well in achieving high placement rates at low costs. This, in large part, is dependent on the success of the job training providers. Therefore, the success of these providers in training and placing JTPA clients should be an important factor in considering new contract awards in the future.

Youth

We concur that incentives are necessary to motivate youth in the JTPA programs, however, financial incentives should not be used to such an extent that they dilute the funding available for training. We have found that other kinds of motivational methods, such as certificates or non-monetary awards, have substantial impact on the motivation of the JTPA client to succeed in the program.

Because financial incentives promote student completion, consideration should be given to other financial support. We urge the Congress to require the Department of Labor and the Department of Education to clarify the relationship between JTPA funding and Pell Grant awards under the federal student aid programs. Currently, it is not clearly stated by the federal government the extent and manner in which JTPA clients are eligible for student aid while they are enrolled in JTPA programs. It has been our observation that both Departments are reluctant to discuss and communicate a common policy to the field. This, of course, puts the job training provider in the uncomfortable position of being subject to a post-program audit based on the failure to administer both programs properly. Your recommendations in the enforcement section of the bill will address this problem to some extent, however, we strongly urge a pro-active approach to the JTPA/Pell Grant relationship.

We question the reasonableness of including 14 and 15 year olds in the calculation as to whether SDAs have complied with the 40% youth requirement. If the objective of the JTPA is to provide job training, then it seems that 14 and 15 year olds would not be appropriate candidates for such training. It would be more reasonable that they learn general vocational skills through their high school vocational education programs since they are not likely to be in the market for immediate jobs anyway. Moreover, including younger youth has the indirect result of diluting funds available to those youth who are closer to employment age. Including 14 and 15 year olds would also complicate the effort to monitor the long-term impact of program operation and job continuation as proposed in the Performance Standards section of S. 2069.

Enforcement

Reducing the federal role in the JTPA, as well as other federal programs, is a commendable goal. It is important to ensure that the reduction in the federal role and the increase in discretion given to state and local entities will not lead to inconsistency or political solutions. Subjectivity in making JTPA awards will undermine program effectiveness. We fully concur with your desire to provide a method by which the SDAs and states may request a ruling from the Secretary on disputed questions of law. This safe harbor provision will protect SDAs, states, and job training providers from audit decisions made after the fact where the law is unclear. An example of this was referred to above regarding the relationship between JTPA and Pell Grants.

Sub-State Distribution

We concur that a limited guarantee at the state level will have positive results for the program. It will undoubtedly reduce the fluctuation in funding available to SDAs and, indirectly, provide more assurance to job training providers that the program funding level will be similar to prior years. This will allow providers to plan more effectively if they desire to stay in the program.

Coordination

The bill proposes an experimental program to use SDAs as a recruitment and placement source for Job Corps centers, as well as exploring other linkages. While we do not have direct experience with the Job Corps centers, we question whether the SDAs have been that successful in recruiting for the Title II-A programs. Thus, we would also question whether they would have the experience to provide recruitment and placement for Job Corps centers.

Presidential Award

Any visibility given to the participation of business representatives and companies in the JTPA program is important. Success of this program continues to depend on enhanced communication between educators and the business community.

THE MAJOR STRENGTHS OF THE JTPA PROGRAM ARE AS FOLLOWS:

- Involvement of business in PIC decision-making - The requirement that the PIC be composed of more than 50% representation from the business community is a major improvement over the CETA program. Decision-making is more market-oriented and business representatives bring more management expertise to the decision-making process.

- Seventy percent requirement for training - Increasing the percentage of funds to be used for training from 30% (CETA) to 70% (JTPA) effectively targets finite dollars to where there is the greatest need. While we recognize that support services, such as child care and transportation, are still needed, limited dollars are best used for the long-term in the training of the JTPA client.

- Performance-based contracting - For years private career schools and colleges have had to perform in order to stay in business, therefore, performance-based contracting is just a continuation of their normal education and training function. Since the ultimate objective for the client is to obtain a job, performance-based contracting most effectively encourages that result. However, the Congress should be aware that cost reimbursement and performance-based contracting does occur in the same SDAs for the same training objectives. Placement rates are lower and entered costs of employment are higher for clients trained under a cost reimbursement contract.

- Regulatory performance standards - The Department of Labor has recently proposed in regulation new performance standards for the programs. We believe these standards are reasonable, in that they expect at least 75% of job training providers to equal or exceed the standards. Moreover, we encourage special recognition and consideration, when contractors are reviewed for future JTPA contracts, for those who far exceed the standards.

PROBLEMS AND RECOMMENDATIONS FOR IMPROVEMENT.

1. Encourage training providers, with proven capability, to do intake assessment. Allowing or encouraging one entity to do the intake assessment/enrollment and another entity to provide the job training, dilutes the effectiveness of the entire system. For example, in our experience, some clients have been interviewed five times before they are determined eligible for the program. Given that these clients already have low self-esteem and motivation, they are much more likely to drop out early in the entry process instead of continuing through the program. Post-secondary institutions already have the capability and experience to evaluate potential job training candidates and such participation should be encouraged.

2. Encourage carryover funding from one program year to another program year in order to enhance the ability of the SDA and job training provider to train clients on a continuing basis. It is our experience that new JTPA clients cannot be brought into the system after approximately February of the program year because they will not have completed training or have been placed by June 30th of that year. While there may not be legal impediments to carryover funding, in reality, some SDAs will not allow such carryover because it affects their placement rates during that program year.

3. Review eligibility for other federal subsidies during client transition to ensure that funds are not immediately withdrawn when the JTPA client is ultimately placed in a job. We find sometimes that successful graduates of the training will opt not to take a job because their net

income, when other benefits are considered, will actually decrease when they are placed in a job. While it is easy for us to say that they will ultimately make more money because of their training, many of them are bordering on poverty as it is and will make more subjective and immediate decisions about their financial status.

4. Enhance the general awareness of the program through greater magazine, TV and direct mail advertising. Some potential JTPA clients are not aware that such a program exists.

5. Focus JTPA programs on long-term career training and not the quick fix. The relatively low unemployment rate throughout the country and the availability of alternative unskilled jobs, such as those at fast food restaurants, reduces client interest in obtaining job skills through the JTPA program. These unskilled jobs can be attained without additional job training and pay per hour wages equal to or greater than the anticipated wages for a JTPA graduates.

CONCLUSION

The Job Training Partnership Act programs are successfully training many disadvantaged and uneducated clients for work. Although there still are some problems with the program, the Act should not not be amended significantly. Appropriately, the success of the program will be how well PICs, SDAs and training providers work together to identify what job training skills are necessary in a specific job market and, ultimately, to select the best education provider for that training. The selection of training providers should be based on merit, specifically the previous success of that provider in meeting its placement and cost objectives.

We appreciate the opportunity to testify before the Subcommittee today and we are ready to assist you in any way to improve the JTPA programs.

Senator **Quayle**. Our final witness on this panel is Charneil Hadl, assistant secretary, Department of Human Resources, from Topeka, KS.

Welcome.

Ms. **Hadl**. Thank you, Mr. Chairman.

As the assistant secretary of the Kansas Department of Human Resources, I am responsible for administering and overseeing the Job Training Partnership Act in Kansas. On behalf of Governor John Carlin and Secretary Larry Wolgast, we appreciate the opportunity to comment on the proposed amendments to the Job Training Partnership Act.

The Subcommittee on Employment and Productivity is to be complimented for its active role in overseeing the Job Training Partnership Act and for its attention to program issues which are in need of addressing.

As you are aware, Mr. Chairman, Kansas and Indiana share an agricultural kinship with many States. The same hardships faced by our farmers are impacting thousands of farmers across the Nation.

For this reason, Kansas is particularly supportive, Mr. Chairman, of the committee's efforts to increase JTPA's services to farmers and other self-employed.

In addition, however, we would like to suggest that the committee consider further refinements in the law 73 which would open the way to better serve this population in the title II–A program.

One means might be to consider allowing 1 full year's income for eligibility determinations, or the current 6-month period, whichever is to the advantage of the farmers seeking services under II–A.

Since farm income is seasonal, a 6-month period which is annualized prohibits JTPA's services to those experiencing the bulk of their income in the 6 months immediately prior to application.

Mr. Chairman, there is another issue involving farmers which stems from the fact that they, as well as other self-employed and many long-term unemployed, do not appear in unemployment statistics.

The current funding formula at both the State level and the substate level places great emphasis on unemployment factors which in itself carries the potential for extreme fluctuations in funding from year to year, as you know.

The proposed amendments partially address this issue by allowing the Governors to utilize a substate hold-harmless provision. We suggest, however, Mr. Chairman, along with many others here today, that the distribution formula be modified at the State level as well as the substate level to place greater emphasis on the economically disadvantaged. This would provide for more stabilized funding and would be more consistent with the purpose of the act, which is to train the economically disadvantaged.

One further comment, Mr. Chairman, with regard to the language in the substate hold-harmless amendment, which reads: "90 percent of the average amount which the Service Delivery Area received for each fiscal year for the 3 fiscal years prior." It is unclear to us that the word amount refers to actual dollars received, or percentage share of funds available.

With regard to the amendments strengthening enforcement procedures, Kansas supports increased participation by the Secretary of Labor in providing interpretations of the law. We believe, however, that there are additional issues which require your attention.

No. 1, some timeframe for response should be established with no response signifying concurrence by the Secretary with the Governors' interpretations.

No. 2, we would also encourage the committee to address the issue of future interpretations by the Secretary that may conflict with previous State determinations.

Third, individual State requests and DOL interpretations should be universally applied to all States and should be used as standards for future audits, whether or not a State chooses to request an interpretation.

Fourth, we further suggest that interpretations from the offices of the Secretary and the Inspector General be consistent so that differences in interpretations do not lead to future audit exceptions.

In conclusion, Mr. Chairman, Kansas urges consideration for a provision allowing States to set aside a small portion of the title II-B funds to carry out oversight and technical assistance activities for the Summer Youth Program. States currently offset these costs from other program sources, but projected decreases in funding threaten the continuation of these services.

Thank you, Mr. Chairman.

Senator QUAYLE. Thank you very much, Ms. Hadl.

[The prepared statement of Mr. Wolgast follows:]

KANSAS DEPARTMENT OF HUMAN RESOURCES

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John Carlin, Governor
Larry E. Wolgast, Secretary

TESTIMONY

before

The Sub-committee on Employment and Productivity
Committee on Labor and Human Resources

United States Senate

Submitted By:

Larry E. Wolgast, Ed.D.
Secretary, Department of
Human Resources
State of Kansas

March 11, 1986

Mr. Chairman, Members of the Committee:

I am Larry E. Wolgast, Ed.D., Secretary of the Kansas Department of Human Resources, and serve at the pleasure of Governor John Carlin. The testimony provided today reflects the priorities established by Governor Carlin for effective implementation of the Job Training Partnership Act (JTPA) in Kansas. I am pleased to have this opportunity, on behalf of the State of Kansas, to comment on the proposed amendments to the Job Training Partnership Act. The Sub-committee on Employment and Productivity is to be complimented for its active role in overseeing the Job Training Partnership Act and for its attention to program issues which are in need of addressing.

The concept of active participation by private industry in the JTPA program has greatly contributed to its success in Kansas and nationally. Both private industry councils and public officials in our state remain committed to the philosophy of the legislation and the partnership it forges between the two sectors. Further, we believe that the Committee's proposed amendments to this Act will be broadly endorsed by the majority of states. Kansas is highly supportive of the amendments proposed and appreciates the opportunity to suggest additional refinements for the Committee's consideration.

Mr. Chairman, as you are aware, Kansas and Indiana share an agricultural kinship with many states. The same hardships faced by our farmers are impacting thousands of farmers across the nation. The declining farm economy has taken a serious toll on the entire state economy in agricultural states. For these reasons, Kansas is especially supportive of the "self-employed worker" being included as part of those eligible for dislocated worker services.

In addition, many unemployed farmers and other self-employed in dire need of employment and training services could be served under Title IIA if eligibility requirements were slightly modified. Currently, a prior six-month period for determining annualized income, as it relates to Title IIA eligibility, is all that is allowable under the law. In its efforts to better serve farmers under JTPA, the Committee may want to consider providing states the option of utilizing an actual full year's income for eligibility determinations, or the six-month period, whichever is to the advantage of the farmer seeking services.

Farm families' income is seasonal. If the bulk of their yearly income falls in the six-month period prior to application for Title IIA, most would be ineligible for services at a time when their need for them is increasing. Research economists for Public

Policy and Business Research at the University of Kansas report that Kansas farm personal income declined 16 percent from the first quarter of 1985 compared with the previous quarter. Over the last year, farm personal income has declined 50 percent in Kansas. Figures from the Kansas Farm Management Association indicate that net farm income fell from $43,689 in 1979 to $6,334 in 1984.

Another issue evolves from the fact that unemployed farmers, as well as many long-term unemployed, do not appear in unemployment statistics. The plight of farmers and other poor in our states who do not show up in the statistics justifies an additional adjustment which we strongly support--an adjustment to the existing allocation formula for JTPA Title IIA funds. The proposed amendments partially address this issue by allowing the Governors to utilize a substate hold harmless provision of up to 90 percent. As stated, this amendment seeks to stabilize, at the substate level, drastically fluctuating allocations caused by rapid increases or decreases in unemployment rates.

Much of the problem, however, stems from the national emphasis currently placed on unemployment rates in the JTPA funding formula which determines state level allotments, as well as substate allocations. In meetings with other states, Kansas has found that many support a revision in the funding formula to emphasize the "economically disadvantaged" component and those most in need of job training services. Presently, the formula places two-thirds of its emphasis on the "unemployed" factor and one-third on the "economically disadvantaged." We suggest this factor be modified to place a greater emphasis on the "economically disadvantaged." This would provide for more stabilized funding and would be more consistent with the purpose of the Act, which is to train the economically disadvantaged.

Performance Standards

While Kansas supports the adjustment of performance standards to recognize the difficulty and costs involved in serving certain program participants, it would be preferable for states to continue to be allowed to make such adjustments locally. Kansas, along with other states, has utilized the Department of Labor's methodology as a means of adjusting performance for special and unique population groups at the local level. We feel the Department's methodology has allowed such adjustments to be made uniformly, and we continue to support this process. We are also very supportive of the amendments which increase emphasis on standards to measure the program's "long-term" impact. Kansas has implemented such a system using existing state data bases to measure a number of factors such as earnings increase and earnings gain per dollar expended. We feel such factors are critical in determining return on investment. Unfortunately, with limited financial resources, many states have difficulty collecting post-program information. For this reason, we suggest that in conjunction with its support of post-program measures, the Committee may also want to consider permitting the use of six-percent technical assistance funds in the collection of such critical information. We strongly support the amendments permitting six-percent technical assistance funds to be used for preventive technical assistance for all Service Delivery Areas (SDAs) and not just restricted as it is presently to those SDAs failing to meet their standards. We are also supportive of the removal of cost limitations on SDA incentive grants, since it will allow for a more creative utilization of these funds.

Enforcement Procedures

Kansas supports increased participation by the Department of Labor in providing interpretations of the law, recognizing that the SDAs need a timely response from the Governor. We would encourage, however, that such interpretations be made available by the Secretary within twenty days of receipt and that Governors provide a response to the SDAs within an additional ten days. This will allow the SDA to have a response within a total of thirty days from their request. We would also encourage the Committee to address the issue of future interpretations by the Secretary that may conflict with previous state determinations. It would appear that individual requests and interpretations would have universal application to all states and could be used as standards for future audits whether a state chooses to request an interpretation or not. We further suggest that interpretations from the offices of the Secretary and the Inspector General be consistent, so that differences in interpretation do not lead to future audit exceptions.

Kansas is fully supportive of the amendment permitting the reallocation of funds withheld from an SDA for failure to comply with the requirements of the Act and for the provision allowing reallocation of these funds to SDAs which are in compliance.

Youth

Those amendments permitting SDAs greater flexibility in serving youth will enhance SDAs' ability to meet the needs of this group. Kansas is supportive of expanding eligibility to include self-supporting youth who are eighteen and over and living with relatives. We suggest, however, that Governors have the current flexibility to define "family" and could, at the state level, include as a family of one those youth who are 18 and over who have been self-supporting for one year but who currently reside with family members. Youth "incentive awards" are also desirable and supported by Kansas. Greater numbers could be served, however, if such awards were allowed as a training cost as opposed to a services expenditure. Summer youth tryout employment programs and educational components for youth who do not meet locally prescribed education standards would further enhance the quality of youth services. The establishment of a youth competency performance standard for encouraging expanded youth services is another positive measure. The inclusion of 14 and 15 year olds in calculating an SDA's compliance with the 40 percent expenditure requirement would also provide an additional incentive for SDAs to serve this age group.

Kansas would also propose consideration of designating a pool of summer youth funds to be used by the Governor in carrying out summer youth program oversight and technical assistance responsibilities. Without such resources, states must offset these costs from other program sources, or not provide the services at all.

Again, Kansas appreciates the opportunity to support the proposed amendments and to offer suggestions for further Committee consideration.

Submitted By:

Larry E. Wolgast, Ed.D.
Secretary, Department of
Human Resources
State of Kansas

March 11, 1986

Senator **Quayle**. I want to thank this panel. As I go through the testimony here and listen to the statements being made, I am struck by the different interests that each panel member has. I think it shows the broad diversification and also the broad support that JTPA has. It also makes our job very interesting as we try to focus on the nature of these amendments. In the interest of time, let us combine the next two panels.

I would appreciate your very succinct and direct comments about our amendments and what your interests and concerns are.

So, ladies and gentlemen, thank you very much.

The next panel includes: Marta Escutia, Douglas Glasgow, Cynthia Marano, Georgetta Mitchell, Mr. Van Valkenburgh, Mr. Androlewicz, Ms. Harjo, and Dennis Rhoades.

OK. Ms. Marta Escutia, legislative director for Employment and Training of the National Council of La Raza.

Ms. Escutia.

STATEMENT OF MARTA M. ESCUTIA, LEGISLATIVE DIRECTOR, EMPLOYMENT AND TRAINING, NATIONAL COUNCIL OF LA RAZA, WASHINGTON, DC; CYNTHIA E. MARANO, EXECUTIVE DIRECTOR, WIDER OPPORTUNITIES FOR WOMEN, WASHINGTON, DC; DR. DOUGLAS G. GLASGOW, VICE PRESIDENT, WASHINGTON OPERATIONS, NATIONAL URBAN LEAGUE, WASHINGTON, DC; GEORGETTA MITCHELL, PRESIDENT, DISPLACED HOMEMAKERS NETWORK, WASHINGTON, DC; C.W. VAN VALKENBURGH, EXECUTIVE DIRECTOR, RAPPAHANNOCK SERVICES CORP. AND MEMBER, BOARD OF DIRECTORS, NATIONAL ASSOCIATION OF REHABILITATION FACILITIES, FREDERICKSBURG, VA; AL A. ANDROLEWICZ, DIVISION VICE PRESIDENT, EDUCATION AND HUMAN SERVICES, RCA SERVICE COMPANY, CHERRY HILL, NJ, ON BEHALF OF THE HOME BUILDERS INSTITUTE; SUZAN SHOWN HARJO, EXECUTIVE DIRECTOR, NATIONAL CONGRESS OF AMERICAN INDIANS, WASHINGTON, DC, ON BEHALF OF THE INDIAN EMPLOYMENT AND TRAINING COALITION, AND DENNIS K. RHOADES, DIRECTOR, NATIONAL ECONOMICS COMMISSION, THE AMERICAN LEGION, WASHINGTON, DC

Ms. ESCUTIA. Thank you, Mr. Chairman. I am Marta Escutia, legislative director for the National Council of La Raza, a Hispanic public interest group which represents about 80 affiliates throughout the country.

Many of our affiliates are community-based organizations which have a long history of providing employment and training services under CETA, and presently several of them are employment training providers under JTPA.

The National Council of La Raza has a long standing commitment to the issue of employment and training. Therefore, we are very grateful to submit these comments and look forward to working more closely with your subcommittee as this issue progresses.

Mr. Chairman, polls of the Hispanic community consistently show that employment and jobs are the primary concern of the Hispanic community. Several factors affect our labor market competitiveness, such as the highest dropout rate in the Nation; one of the lowest educational rates in the Nation; severe unemployment and underemployment; a limited English-speaking ability, and high poverty rates.

We currently account for about 6.7 percent of the labor force, and estimates show that by 1990, we will be about 8 to 9 percent of the labor force.

First of all, let me say that we whole heartedly support your amendments, and I would just like to focus my attention on several amendments.

First of all, we support any efforts to adjust the performance-based standards, and we basically recommend to you and to the Secretary of Labor, to include several factors in the adjustment of performance standards, such as limited English-speaking ability; a lack of work history; limited educational attainment, and services to teenage single parents.

We hope that these performance standards to be prescribed by the Secretary of Labor are closely monitored and scrutinized so that legislative intent is fully executed.

We would like to see a mandate to the Secretary outlining some of these factors to be included in the performance standards. At the very least, we hope that these above factors will be included in the report language of this act and will thus be included in the legislative history of this bill.

With regard to the Summer Youth Remediation Program, we whole-heartedly support a legislative mandate upon SDA's to include an educational component for youth who do not meet minimum educational standards. We view this legislative mandate as a policy guideline which establishes a floor with regard to the availability of remedial education. We also support the amendment which expands the definition of eligible youth to include 14- and 15-year-olds. This expanded definition will benefit the Hispanic community, particularly not only because of our high incidence of teenagers, but also because most Hispanics drop out between the ages of 14 and 17.

With regard to the enforcement provision, we support that amendment because we view, that efforts must be made to put some teeth into the legislative mandate of JTPA so that abuses of the 40-percent expenditure requirement are avoided. We view this adjusted enforcement provision of withholding funds from SDA that do not comply with JTPA's expenditure provisions as a necessary deterrence mechanism and strongly endorse it.

The amendment that we have the most questions on is on the issue of dislocated workers. We realize that the dislocated worker issue has become the more significant as shifts in the economy occur and some industries become obsolete or less than competitive.

First of all let me indicate to you, Mr. Chairman, that we applaud the amendment on dislocated workers to include those workers in the agricultural industry. However, we have identified some questions which perhaps merit further investigation.

The questions we have are: Does the new category of dislocated worker include farm workers who are not migrant or seasonal, but perform work on a contractual basis?

Second, does the new category of dislocated worker include those individuals who work in agriculture-related industries such as trucking, processing, and shipping?

Third, will a crop freeze be considered a natural disaster?

And fourth, will an international economic event such as a peso devaluation, which negatively affects many Southwestern border cities—will that economic event be considered a general economic condition within the community in order to trigger the new category of dislocated worker assistance?

Many of our affiliates and our most disadvantaged segments of the Hispanic community reside in the South Valley of Texas, which is a predominantly agricultural region in Texas. The South Valley of Texas consistently registers the highest unemployment rate in the country. Adding to an already depressed economy is the fact that there was a crop freeze in 1983 which destroyed many crops and resulted in a dramatic rise in unemployment among resident farm workers, truckers, and employees of processing, packaging, and shipping plants.

Furthermore, the recent peso devaluations have negatively impacted the border economy along Texas, California, Arizona, and other States, resulting in the loss of jobs and in business failures. We hope that the subcommittee will provide some guidance with respect to this issue in its report language, and we also hope the Secretary of Labor will follow these legislative recommendations as fully as possible.

Again, Mr. Chairman, let me reiterate the fact that we do support JTPA; we whole heartedly support these amendments. We would like to establish dialog with regard to this issue of dislocated workers, and again, I reiterate the commitment of the National Council of La Raza to work more closely with you and your staff on this issue.

Thank you very much.

[The prepared statement of Ms. Escutia follows:]

TESTIMONY ON THE
JOB TRAINING PARTNERSHIP ACT
AMENDMENTS OF 1986

S. 2069

Presented by

Marta M. Escutia
Legislative Director
National Council of La Raza

Before the

Senate Subcommittee on Employment and Productivity
Committee on Labor and Human Resources
United States Senate

March 11, 1986

NATIONAL COUNCIL OF LA RAZA
20 F Street N.W., 2nd floor
Washington, D.C. 20001

Raul Yzaguirre
President

I. INTRODUCTION

Mr. Chairman and distinguished members of the Senate Subcommittee on Employment Productivity. I am Marta M. Escutia, Legislative Director for the National Council of La Raza, a Hispanic public interest and technical assistance organization which represents over 80 affiliates throughout the country. Many of our affiliates are community-based organizations with a history of providing employment and training services under the Comprehensive Employment and Training Act (CETA), and today a few of them are service deliverers under the Job Training Partnership Act (JTPA). The National Council has a long standing institutional commitment to the issue of employment and training. Thus, we are grateful to have this opportunity to submit comments on these amendments and look forward to working more closely with your subcommittee staff on this issue.

Mr. Chairman, polls of the Hispanic community show that employment is the issue of greatest concern to Hispanics. The Hispanic community faces several problems which affect its labor market competitiveness, such as:

- Double-digit unemployment rates;
- Severe underemployment;
- The highest dropout rates in the country;
- The lowest educational attainment rates; and
- High poverty rates

Hispanics account for 6.7% of the labor force, and estimates show that in 1990 Hispanics will account for 8-9% of the labor force. The youthfulness and low levels of education of the Hispanic community pose especially intractable problems, suggesting that poverty and hard-core unemployment among Hispanic adults and youth will endure into the future.

We support the Job Training Partnership Act (JTPA) because we believe the federal government has a responsibility to provide effective employment and training services to disadvantaged individuals. However, our support is balanced by reservations over the issue of a performance-driven system and its inherent potential for "creaming." We applaud your efforts in introducing these perfecting amendments because they are the first step in legislative interventions based on a realistic assessment of the problems JTPA has had in providing services to youth and the hard-to-serve. Following are specific comments to several of the amendments.

II. PERFORMANCE STANDARDS

We recognize that performance standards are a double-edged sword. On the one hand, they have the potential for driving the system toward efficiently serving the client population by providing guidelines and parameters to service deliverers. On the other hand, they may encourage service operators to "cream" by selecting the least disadvantaged individuals who are more job-ready and more likely to meet the placement and retention rates. Thus, the neediest clients are likely to be excluded in a performance-driven system that emphasizes a high return per dollar invested.

The concern over performance standards is not a theoretical one. Many of our affiliates are community-based organizations (CBOs) affected by performance standards emphasizing short-term training, low costs, and high placements. In light of the disadvantaged and hard-to-serve clientele that many of our affiliates serve, several of them have opted not to compete for JTPA funds. Our affiliates feel that in order to fiscally survive under the constraints of a performance-based contract they must have additional sources of income (which is highly unlikely for young CBOs) or must "cream" and distance themselves from their traditional base of clients, the neediest and hard-to-serve. Consequently, CBO participation in JTPA has decreased.

We support the amendment which will adjust the standards to include certain factors reflective of characteristics of participants which justify additional costs or lower performance. We recommend that the Secretary of Labor include factors listed below in the adjustment of performance standards:

- Limited English-speaking ability;
- Lack of work history;
- Limited educational attainment; and
- Teenage single parents

The performance standards to be prescribed by the Secretary of Labor need to be closely monitored and scrutinized so that legislative intent is executed in full force. We would like to see a legislative mandate to the Secretary outlining which factors should be included in the performance standards. At the very least, we hope that the above factors will be included in the Report language accompanying this Act and will thus be included in the bill's legislative history.

III. SUMMER YOUTH REMEDIATION PROGRAM

Hispanics are the youngest and least-educated of the major population groups in the country. The Hispanic community is also plagued by the highest dropout rates in the nation. Therefore, Hispanics have a vested interest in programs aimed at youth and their educational attainment. Education is inextricably bound to earning levels. Education not only has a direct correlation on future earnings, it also lowers the probability and duration of unemployment spells, which ultimately translate into lower earnings.

In light of the Hispanic community's low educational status and poor performance in the labor market, we embrace any meaningful efforts to increase the educational attainment of Hispanic youth. Therefore, we wholeheartedly support a legislative mandate upon service delivery areas to include an education component for youth who do not meet minimum educational standards. We view this legislative mandate as a policy guideline establishing a floor with regard to the availability of remedial education.

We also support the amendment which expands the definition of eligible youth to include 14-and 15-year-olds. This would allow 14-to 15-year-olds to participate in programs during their middle school years, a crucial time before most teenage pregnancies occur and before the decision to drop out may have become almost irreversible. This expanded definition of eligible youth will benefit the Hispanic community, not only because of its high incidence of teenagers, but also because most Hispanics drop out of school between the ages of 14 and 17.

This school remediation amendment is a sound one, yet it only addresses the needs of in-school youth. A key issue which needs to be reviewed by this subcommittee is the extent to which JTPA is providing adequate services to young dropouts. Various reviews of JTPA's first year have identified services to dropout youth as the "Achilles' heel" of the system. Rather than focusing on that core group of youth responsible for 70% of the youth employment problem by providing remedial education, skills training, and work experience, local service providers are focusing on short-term job search and quick placement programs for in-school youth. A recent General Accounting Office study indicates that JTPA is serving a better-educated clientele -- more high school graduates, less dropouts -- than did CETA.

Out-of-school youth are currently being served together with adults, despite available evidence that they require distinct programming strategies. Adding to this confusion is JTPA's apparent ambiguity about the need to serve young high-school dropouts. JTPA is ambiguous in not distinguishing between the types of dropouts, but states that dropouts shall be served on an "equitable" basis. Strategies need to be developed to explore avenues through which the summer youth program and the overall JTPA program may be more responsive to the needs of young dropouts. We believe this issue is of crucial concern. Legislative inaction on this issue will risk the danger of creating a societal underclass of individuals forced to rely on public assistance because they lack the necessary skills to make them competitive in the labor market.

IV. ENFORCEMENT PROVISIONS

One of the disturbing findings made by several independent analyzes of JTPA was that some SDAs were not spending the required 40% of their funds on youth programs. Since Hispanics are disproportionately younger than the rest of the nation's population, there is a concern that a lack of youth programs and the resultant lack of educational and employment opportunities will have a disproportionate impact on Hispanic youth. Efforts must be made to put some teeth into the legislative mandates of JTPA so that abuses of the 40% expenditure requirement are avoided. We view the suggested enforcement provision of withholding funds from SDAs that do not comply with JTPA's expenditure provisions as a necessary deterrence mechanism and strongly endorse it.

One of JTPA's mandates is to serve dropouts on an "equitable" basis. This language does not allow for numerical accountability as do other provisions of JTPA. However, we hope that the subcommittee will consider this a key provision which must be enforced in the manner prescribed by this amendment.

V. DISLOCATED WORKERS

The dislocated worker issue has become more significant as shifts in the economy create obsolete or less than competitive industries. We applaud the subcommittee's vision in amending JTPA Title III to include those individuals who work in the agricultural industry. However, we have some questions over how inclusive this amendment will be.

It is obvious that the dislocated farmer is the motivating factor behind this amendment. They obviously fall within the new category of "self-employed but who are unemployed as a result of general economic conditions or natural disasters." We realize that the Secretary of Labor will have the responsibility for establishing categories of self-employed individuals and of economic conditions and natural disasters. However, we have identified some questions which merit further investigation, such as:

- Does the new category of dislocated worker include farmworkers who are neither seasonal or migrant but perform work on a contractual basis?
- Does the new category of dislocated worker include those individuals who work in agricultural-related industries such as trucking and processing and shipping?
- Will a crop "freeze" be considered a natural disaster?
- Will an international economic event such as the recent peso devaluations, which negatively affect southwestern border cities, be considered a general economic condition within the community?

We recommend that non-migrant, full-time agricultural workers, and those individuals in agricultural-related industries such as trucking, processing, and shipping be included in the definition of dislocated worker. Further, we suggest that workers dislocated due to crop freezes and peso devaluations be covered under the amendment. Many of our affiliates and the most disadvantaged segments of the Hispanic community reside in the South Valley of Texas, a predominantly agricultural region. The South Valley of Texas consistently registers the highest official unemployment rate in the nation. Adding to an already depressed economy is the fact that the Valley experienced a severe winter freeze in 1983, which destroyed many crops and resulted in a dramatic rise in unemployment among resident farmworkers, truckers, and employees of processing/ packaging/shipping plants. Furthermore, the peso devaluations that have occurred in recent years have negatively impacted the border economy, resulting in a loss of jobs and business failures. We hope that the Subcommittee will provide some guidance in this respect in its report language, and that the Secretary of Labor will follow these legislative recommendations as fully as possible.

VI. CONCLUSION

The National Council of La Raza supports legislative attempts at making the JTPA system more responsive, effective, and accountable. As the centerpiece federal employment and training policy, JTPA must be subject to continuous legislative oversight to meet the changing, and sometimes competing, demands of the nation's economy and its labor force. As minorities and women make up a growing segment of the nation's labor force, efforts must be made now to integrate these individuals as beneficiaries of a comprehensive federal employment and training policy.

With regard to youth development, whether it be in-school or dropout youth, the stakes are high. Demographics will favor higher productivity and lower unemployment over the next 12 years as prime-age workers make up a larger and larger share of the labor force. The decline in young workers, who have high unemployment rates, bodes well for unemployment generally. But the growing proportion of minorities within the young population, whose employment problems have been especially intractable, suggests that hard-core unemployment will be with us for a long time. Consequently, the process of constructing a systematic, intensive, and integrated approach to youth development is the greatest challenge faced by this subcommittee and by the employment and training community. Again, I reiterate the commitment of the National Council of La Raza to assist the subcommittee in whatever way possible. Thank you for your attention.

Senator **Quayle**. Thank you. I can assure you we will continue to work with you to address your specific concerns.

Next, Ms. Cynthia Marano, executive director of Wider Opportunities for Women.

Welcome back.

Ms. **Marano**. I would like to begin by commending you, Senator Quayle, and certainly Senator Kennedy as well, for the thoughtful approach you have taken in your factfinding around JTPA by getting out into the regions and talking to people who are trying to work with the JTPA at the local level.

Today, I would like to direct my comments to just a few of the provisions of S. 2069 and to make some suggestions about ways to improve the bill's impact upon women and girls. I will only summarize a few of these areas of concern and hope that you will have a chance to look at all the suggestions that we have made in our testimony.

I would like to leap right into the whole question of the title III program and tell you that while we certainly support the inclusion of unemployed farmers as beneficiaries in title III, we would like to suggest that you consider a further expansion, and that is to include another population which is often overlooked, the population of displaced homemakers.

These women, who have spent the majority of their lives working in unpaid labor in their homes, raising families, and find themselves in essence unemployed, have many similarities with traditionally displaced worker populations.

Currently, the JTPA provides few avenues through which this population can be served without regard to rigid income and economic standards, and because of the transient nature of their economic situation, we think that the population fits very well into the dislocated worker category.

Second, we would like to commend you on the idea of the Presidential awards. We would like to recommend that the subcommittee consider development of a second Presidential award.

Since criticism of the JTPA at the national and local level among researchers, advocates and others has centered around the creaming issue, WOW recommends the creation of an award for innovative JTPA public/private partnership programs at the State and SDA level, focusing on the hard-to-employ groups targeted in the act. This award would highlight accomplishments in this area and would result in role modelling successful strategies.

Our third recommendation has to do with your amendments related to services to youth. We support generally the provisions of S. 2069 which seek to expand JTPA services to youth. However, we also have a critical concern. This concern relates to the extent to which SDA,s are using their dollars to fully serve those youth who are currently eligible for services. We are most particularly concerned about female youth. Our recommendation is to require SDA's to document their services to male and female youth before moving funds to another service population.

Our fourth recommendation relates to the whole area of the educational component of the youth program. We urge the authors to expand the benefits of the proposed Title II-B Program to allow joint remediation programs for both the youth and parent, somewhat along the lines of the Chafee and Goodling bill that has been submitted here in the Congress.

We have outlined a series of questions which we hope you will include as you consider changes in the performance standards. And we want to mention two other concerns very quickly. The first of these is that in the JTPA legislation, those of you who authored it very correctly looked at the Job Corps and the poor job that the Job Corps had been doing in terms of services to women and girls. We hope you will pursue what has happened in that area, because we do not think that your mandate to the Job Corps has been followed through on very well with regard to equity for female participants.

Second, we are very concerned about what has happened to the issue of support services under the act. Our organization worked very hard with the Congress to ensure the availability or support services under the JTPA. And we think that you found in your trip across the country and in the field hearings that a number of people are concerned about support services. We do not think that your amendments really touch this problem effectively. We hope that perhaps you would work with us on designing another amendment to address this concern.

Thank you.

Senator QUAYLE. Thank you very much.

We will look forward to working with you on that and other things as we progress with legislation.

[The prepared statement of Ms. Marano follows:]

WOW

20 YEARS **Wider Opportunities for Women, Inc.** SERVICE

A nonprofit tax-exempt Women's Employment Organization
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Statement of Cynthia E. Marano

Executive Director, Wider Opportunities for Women, Inc. (WOW)

on S. 2069

before the

Senate Subcommittee on Employment and Productivity

Tuesday, March 11, 1986

Contact: Vikki L. Gregory
202/638-3143

Good morning. I am Cynthia Marano, Executive Director of Wider Opportunities for Women, Inc. (WOW); and, I thank you for the opportunity to present my comments on S. 2069, a bill which seeks to amend the Job Training Partnership Act (JTPA).

I commend both Senator Quayle and Senator Kennedy for the thoughtful approach you have taken in your factfinding and in seeking ways in which to improve the JTPA with the least system disruption. WOW supports the goals of S. 2069. Today, I want to direct my comments on just a few of the provisions of S. 2069 and make some suggestions for further amendments to the JTPA.

Expansion of Title III service population. WOW supports the specific inclusion of unemployed farmers as beneficiaries of the Title III Dislocated Worker Program. WOW would further urge that this provision of S. 2069 be expanded to include another population which is often overlooked -- displaced homemakers. These women have spent the majority of their lives working, unpaid, in the home, raising families, and providing unpaid services to maintain many community and civic programs. At an age when many participants in the paid labor market are contemplating retirement, these individuals find that they must surmount the barriers of age, outdated skills, and limited paid work history to compete for jobs in the paid labor market. In the truest sense of the term, this population is as displaced or unemployed as any laid-off factory worker. JTPA provides few avenues through which this population may be served without regard to rigid income or economic standards. These income standards unfairly eliminate displaced homemakers who, by virtue of the income of a former spouse or the ownership of the marital homestead, appear to have financial resources when, in fact, they have little or no access to dollars to meet regular living expenses. The specific inclusion of displaced homemakers as intended beneficiaries under Title III would help to fill a critical service gap. Though displaced homemakers are eligible participants under several other sections of the Act, there are no specific mandates or targetting provisions for this group. Title II-A targets services to adult AFDC recipients (who are over 93% female); Section 124 targets services to economically disadvantaged individuals age 55 and over; and the "10% window" makes displaced homemakers an allowable service population. These provisions, even when they are fully carried out (and it is our understanding, in particular, that the 10% window is most often used to safeguard states against "administrative errors") reach only a small portion of displaced homemakers.

Presidential Awards for Outstanding Business Involvement. WOW also supports the development of Presidential incentive awards outlined in S. 2026. WOW recommends that the Subcommittee consider development of a second Presidential award to include in Section 6, Part D, Title 1. Since criticism of the JTPA at the national and local levels among researchers, advocates and others has centered around the "creaming issue," WOW recommends the creation of an award for innovative JTPA public/private partnership programs at the state and SDA levels focusing on the hard to employ groups targetted in the Act. This award would highlight accomplishments in this area and would result in role modelling successful strategies. Perhaps a state level and an SDA level award could be developed, with one nomination per state being forwarded by Governors' offices. WOW would find such an award to have technical assistance value as well as providing a much needed incentive.

Exemptions of 70/30 Cost Limitation. WOW fully supports the provisions of S. 2069 which exempt section 202(b)(3) incentive grants from the 70/30 spending limitations contained in Title II. WOW believes that the same proposed amendment should equally apply to special state grants under sections 123 (state education and coordination grants) and 124 (training programs for older individuals). A careful reading of the statute indicates the intent of Congress that the 70/30 cost limitations contained in section 108 were specifically meant to be narrowly applied to program and other activities associated with carrying out the provisions of Title II-A. The broad interpretation of section 108 by the Department of Labor has severely limited the ability of states and SDAs to flexibly and creatively meet the needs of special service populations elsewhere in the Act.

Services to Youth. WOW supports, generally, the provisions of S. 2069 which seek to expand JTPA services to youth; however, we also have a critical concern. This concern relates to the extent to which SDAs are using their Section 203(b) dollars to fully serve those youth who are currently eligible for services. In several of the locales where WOW has conducted training on the use of JTPA funds and on programming for women, we have found that in spite of an SDA's trouble or difficulty in meeting its 40% youth spending requirement, little planning or consideration has been given to programming for female youth. We are concerned that, without some type of triggering mechanism, the Section 203(b) amendments contained in S. 2069 will divert programming dollars from a service population which has simply been overlooked in SDA planning. To safeguard against just such a result, WOW would urge that language be included in S. 2069 to require SDA's which are underspending to demonstrate that they are providing adequate programming to meet the service needs of eligible youth (male and female) aged 16 through 21 before they (the SDAs) are allowed to provide services to the new populations identified in S. 2069.

Education Component of Title II-B. WOW commends the inclusion of an education component as part of the Title II-B Summer Youth Program. We are happy that the authors of S. 2069 recognize the crippling economic and social barriers which are erected when an individual is unable to read, comprehend, or compute well enough to pursue higher training or to function in everyday society. WOW's work with structurally unemployed adult women in the Washington Metropolitan area reveals that the lack of basic skills among parents (in our case mothers) directly correlates with the lack of basic skills on the part of children. Educator Jonathan Kozol has statistically identified a cycle through which non-reading parents perpetuate and are unable to assist their children in breaking the chain through which the children themselves grow to illiterate adulthood. As a program operator WOW has witnessed the multiplier effect which remediation training of the mother has on her children. We urge the authors of S. 2069 to expand the benefits of the proposed Title II-B Education Program to allow joint remediation programming for both the child and his or her parent. We believe that such programming will greatly increase the rate and level of basic skills attainment for both the adult and the youth participant. It is our contention that remediation and basic skills education will need to become a well-integrated segment of all training for jobs for the future, unless such programs are designed to ignore the one-fifth of the adult population who lack literacy skills.

Performance Standards. WOW is pleased to see that S. 2069 mandates that the Secretary of Labor move forward rapidly to develop and establish performance standards which measure the long term impact of JTPA participation. We know that such was the intent of the conferees in the development of the statute. WOW urges the Subcommittee to require the Secretary of Labor to seek input from the service provider community -- particularly those who provide services to most-in-need populations -- in the development of these performance standards so that they have the effect desired. Besides collecting data related to job retention, job type, wages and earnings, and public assistance dependency, a true analysis of the long term impact of JTPA participation must include measures which answer the following questions:

(1) Is there a correlation between program entry and completion and the availability of support services?

(2) What is the impact of the cessation of support services upon program completion and the successful transition of the participant into an economically stable work situation?

(3) What is the impact of the type of training received on the ability of the participant to support him/herself free of public/welfare dependency?

(4) What is the impact of the career potential of the job in which the participant was placed on the likelihood of the need for further public training services? [a type of training recidivism measure]

(5) Are the long-term outcomes or projections different

based on the age, race, or sex of the participant?

By seeking answers to these questions, among others, WOW believes the valuable information about program elements and emphases will emerge. For example, we already know that once a woman has entered and completed her training program, she is often more at-risk than before she began the journey to independence. The lack of continued support services or income supports severely restrict her ability to become established in a job. For this reason, WOW has been working with several members of Congress on welfare-to-work legislation which has as a key component post-program transition services.

Two other Concerns. This concludes my comments on issues raised in S. 2069. However, there are two further items which I want to bring to the attention of the Subcommittee. The first is simply the need to evaluate the implementation of Section 437(a) of the Act, which provides that the "Secretary shall take immediate steps to achieve an enrollment of 50 percent women in the Job Corps". We are aware that the Job Corps provides, potentially, a tremendous training and education opportunity to young women; and, we are concerned that the sex integration of this program has not received the priority attention it deserves. We hope that you will seek further information on this issue.

Our second concern relates to the provisions of Section 108(c) of the JTPA which allow an SDA to request a waiver of the 15% support services spending cap in certain instances. It is our observation -- and one which has been supported by other groups monitoring JTPA -- that there still exists much confusion among SDAs and states on the use of this waiver provision. It has been used rarely. We are disturbed that in meeting with local trainers, administrators, and others we have learned that the low-cost-per-placement mentality has been elevated to an iron-clad rule in most areas of the country. This mentality has hampered the ability of SDAs to meet the needs of participants with the greatest employment barriers and to provide the support services which are critically needed by many female participants. As you know, most JTPA studies have found that 10% or less of support services dollars are being used by SDAs or by states. This practice skews the purpose of the JTPA, and seriously affects program participant retention in training, capacity to gain employment, and capacity to retain a job among many who are the stated beneficiaries of the program. We do not believe that S. 2069 currently addresses this problem and would welcome the chance to work with you to design language which might do so.

CONCLUSION

I thank you for taking the time to go out into the field to hear the concerns of those with first-hand knowledge of JTPA's strengths and weaknesses. I know that women's service providers appreciated the change to raise their concerns with you. As you continue to review performance of the JTPA and how to strengthen its impact on the populations for which it was designed, please feel free to call upon me and my staff to work with you to improve the ability of the system to provide quality services to the economically disadvantaged, many of whom are women.

Senator QUAYLE. Dr. Douglas Glasgow, vice president, Washington Operations, National Urban League.

Dr. Glasgow.

Dr. GLASGOW. Thank you, Mr. Chairman.

I am Doug Glasgow, the vice president of Washington Operations, National Urban League, and we would like to express our gratitude and our support at the same time for the excellent work of the committee and also for the amendments which are put forward.

I am particularly happy to be here today to speak on the Job Training Partnership Act, because the Urban League has been involved in employment and training programs for quite some years.

We and our 113 affiliates over some 30 States have been involved in providing services in JTPA. In view of the Urban League's extensive involvement in JTPA, the proposed program amendments are of great importance to us, and we would like to share with you some of our thoughts.

The bill offers several provisions which have the potential to substantially strengthen the JTPA Program. I would like to discuss the provisions which are of particular interest to the league. One, we support the proposal to adjust the performance standards so that those most in need will be more effectively served. We know from evaluations that there has been a tendency to select applicants who are most job ready. The SDAs have given little attention to the development of programs for groups that have special needs. The reasons often cited for failing to serve the most disadvantaged applicants are the lack of resources and legislative emphasis on job placement.

The proposed changes in performance standards should encourage SDA's to serve the participants who face the greatest barriers to employment.

Mr. Chairman, to further faciliate the provision of service to the most disadvantaged adults under title II-A, we suggest that the following criteria be included in assessing the performance of SDA's: The attainment of recognized employment competencies; elementary, secondary, and postsecondary school completion or the equivalent; and the enrollment in other training programs or apprenticeships.

Attention can also be focused on those most in need through the use of the proposed Presidential awards. As it is currently worded, this provision would allow for Presidential awards to be made to businesses for outstanding achievement in planning and administering the JTPA Programs. We propose that the outstanding achievement in serving those most in need also be made as a criterion for this award. We further propose that program operators similar to businesses be eligible for such an award.

With regard to youth, there are several proposed amendments directed toward increasing services to youth. Given the research findings that SDA's, for the most part are not meeting their goals with respect to serving youth. It is apparent that these amendments are needed, and we are particularly enthusiastic about the payment of incentive awards to youth for attendance and other training achievements. Some Urban League affiliates have tried this on a limited basis and have had a great deal of success in increasing the number of participating youth.

We also support the provision to allow first the exemplary youth programs to be conducted during the summer, and second, further support the requirement for a DOL report on the use of the 40 percent of funds for youth during the transition and 2-year planning periods.

With regard to youth education, we are again acutely aware of the important role of education in training and employment programs and are in favor of an education component in the Summer Youth Program. However, funds for the Summer Youth Program are limited. And therefore, we propose that if an education component is to be made mandatory, provision should also be made for the use of existing education resources such as vocational education moneys to fund such components. This should prevent SDA's from having to reduce their own training efforts in order to provide education.

The final comment on amendments regarding youth concerns the Experimental Job Corp Program. It is unclear how the proposed experimental programs would provide for coordination, and that is not provided for already by the legislation, or provide benefits that are not already available under the existing programs.

The Job Corps Program from our experience has been shown to be one of the most successful training and employment programs for youth. It would seem that the old adage, Mr. Chairman, "If it ain't broke, don't fix it," would apply here.

We would like to submit our other recommendations as part of our statement, and we would like to conclude. My final comment concerns the proposed revision in enforcement procedures.

This amendment would allow a Governor to suspend financial assistance to noncomplying SDAs and reallocate the funds to other SDAs in the State. We are concerned that such a procedure would result in the deprivation of training and employment services to participants due to violations committed by program administrators.

As an alternative, we would propose that in the event of noncompliance by local program administrators that the Governor should designate another entity to administer the program in that SDA. In this way the penalty is limited to the program administrators and would not directly affect the participants.

Mr. Chairman, I would like to thank you for the opportunity to participate in this hearing and commend you on your tremendous efforts to strengthen JTPA.

[The prepared statement of Dr. Glasgow follows:]

TESTIMONY

OF

DOUGLAS G. GLASGOW, PH.D
VICE PRESIDENT FOR WASHINGTON OPERATIONS
NATIONAL URBAN LEAGUE, INC.

BEFORE THE

SUBCOMMITTEE ON EMPLOYMENT AND PRODUCTIVITY

ON THE

JOB TRAINING PARTNERSHIP ACT AMENDMENTS OF 1986

ROOM 430
DIRKSEN SENATE OFFICE BUILDING
MARCH 11, 1986

Good morning, I am Douglas Glasgow, Vice President for Washington Operations of the National Urban League. The National Urban League was founded in 1910 as a non-profit community service organization committed to securing full and equal opportunities for minorities and the poor. There are currently 113 affiliates located in 34 states and the District of Columbia.

I am very happy to be here today to provide testimony on the Job Training Partnership Act Amendments of 1986. The Urban League has a very long history of involvement with employment and training programs. At present, both the national office and the local affiliates are extensively involved in the JTPA program. Approximately 75 of the Urban League affiliates across the country are JTPA service providers and offer a wide variety of training programs. For example, the Dayton Urban League offers technical training in health fields. Participants may prepare to be pharmacy, phlebotomy, EEG and EKG technicians. The Urban League of Cleveland offers its participants computer training and the Urban League of Kansas City arranges on-the-job training specifically for youth, dropouts, and AFDC participants. The affiliates are provided with technical assistance by our national office. This includes assistance in writing proposals as well as contract and financial management. In view of the Urban League's extensive involvement in JTPA, the proposed program amendments are of great importance to us.

THE BILL OFFERS SEVERAL PROVISIONS WHICH HAVE THE POTENTIAL TO SUBSTANTIALLY STRENGTHEN THE JTPA PROGRAM. I WOULD LIKE TO DISCUSS THE PROVISIONS WHICH ARE OF PARTICULAR INTEREST TO THE LEAGUE. WE SUPPORT THE PROPOSAL TO ADJUST THE PERFORMANCE STANDARDS SO THAT THOSE MOST IN NEED WILL BE SERVED. AN EVALUATION REPORT PRODUCED BY GRINKER, WALKER AND ASSOCIATES IN 1985 INDICATED THAT JTPA SERVICE DELIVERY AREAS (SDAS) ARE SELECTING AND PROVIDING SERVICE TO APPLICANTS WHO ARE THE MOST JOB READY. THE SDAS HAVE GIVEN LITTLE ATTENTION TO THE DEVELOPMENT OF PROGRAMS FOR GROUPS THAT HAVE SPECIAL NEEDS. THE REASONS OFTEN CITED FOR FAILING TO SERVE THE MOST DISADVANTAGED APPLICANTS ARE (1) LACK OF RESOURCES AND (2) LEGISLATIVE EMPHASIS ON JOB PLACEMENTS. THE PROPOSED CHANGES IN PERFORMANCE STANDARDS SHOULD ENCOURAGE SDAS TO SERVE PARTICIPANTS WHO FACE THE GREATEST BARRIERS TO EMPLOYMENT. TO FURTHER FACILITATE THE PROVISION OF SERVICE TO THE MOST DISADVANTAGED ADULTS UNDER TITLE IIA, WE SUGGEST THAT THE FOLLOWING FACTORS BE INCLUDED IN ASSESSING THE PERFORMANCE OF SDAS:

- THE ATTAINMENT OF RECOGNIZED EMPLOYMENT COMPETENCIES;
- ELEMENTARY, SECONDARY AND POST SECONDARY SCHOOL COMPLETION OR THE EQUIVALENT; AND
- ENROLLMENT IN OTHER TRAINING PROGRAMS OR APPRENTICESHIPS.

ATTENTION CAN ALSO BE FOCUSED ON THOSE MOST IN NEED THROUGH THE USE OF THE PROPOSED PRESIDENTIAL AWARDS. AS IT IS CURRENTLY WORDED, THIS PROVISION WOULD ALLOW FOR PRESIDENTIAL AWARDS TO BE MADE TO BUSINESSES FOR OUTSTANDING ACHIEVEMENT IN PLANNING AND ADMINISTERING OF JTPA PROGRAMS. WE PROPOSE THAT OUTSTANDING ACHIEVEMENT IN SERVING THOSE MOST IN NEED ALSO BE MADE AS A CRITERION FOR THIS AWARD. WE FURTHER PROPOSE THAT PROGRAM OPERATORS AS WELL AS BUSINESSES BE ELIGIBLE FOR SUCH AN AWARD.

YOUTH

THERE ARE SEVERAL PROPOSED AMENDMENTS DIRECTED TOWARD INCREASING SERVICES TO YOUTH. GIVEN THE RESEARCH FINDINGS THAT SDAS, FOR THE MOST PART, ARE NOT MEETING THEIR GOALS WITH RESPECT TO SERVING YOUTH, IT IS APPARENT THAT THESE AMENDMENTS ARE NEEDED. WE ARE PARTICULARLY ENTHUSIASTIC ABOUT THE PAYMENT OF INCENTIVE AWARDS TO YOUTH FOR ATTENDANCE AND OTHER TRAINING ACHIEVEMENTS. SOME URBAN LEAGUE AFFILIATES HAVE TRIED THIS ON A LIMITED BASIS AND HAVE HAD A GREAT DEAL OF SUCCESS IN INCREASING THE NUMBER OF PARTICIPATING YOUTH. WE ALSO SUPPORT THE PROVISION TO ALLOW EXEMPLARY YOUTH PROGRAMS TO BE CONDUCTED DURING THE SUMMER AND THE REQUIREMENT FOR A REPORT ON THE USE OF THE 40 PERCENT OF FUNDS FOR YOUTH DURING THE TRANSITION AND TWO YEAR PLANNING PERIOD.

WE ARE ACUTELY AWARE OF THE IMPORTANT ROLE OF EDUCATION IN TRAINING AND EMPLOYMENT PROGRAMS AND ARE IN FAVOR OF AN EDUCATION COMPONENT IN THE SUMMER YOUTH PROGRAM. HOWEVER, FUNDS FOR THE SUMMER YOUTH PROGRAM ARE LIMITED. THEREFORE, WE PROPOSE THAT IF AN EDUCATION COMPONENT IS TO BE MADE MANDATORY, PROVISIONS SHOULD ALSO BE MADE FOR THE USE OF EXISTING EDUCATION RESOURCES, SUCH AS VOCATIONAL EDUCATION MONIES, TO FUND SUCH COMPONENTS. THIS SHOULD PREVENT SDAS FROM HAVING TO REDUCE THEIR OTHER TRAINING EFFORTS IN ORDER TO PROVIDE EDUCATION.

THE FINAL COMMENT ON AMENDMENTS REGARDING YOUTH CONCERNS THE EXPERIMENTAL JOB CORP PROGRAM. IT IS UNCLEAR HOW THE PROPOSED EXPERIMENTAL PROGRAMS WOULD PROVIDE FOR COORDINATION THAT IS NOT ALREADY POSSIBLE OR BENEFITS THAT ARE NOT ALREADY AVAILABLE UNDER THE EXISTING PROGRAMS. THE JOB CORP PROGRAM HAS BEEN SHOWN TO BE ONE OF THE MOST SUCCESSFUL TRAINING AND EMPLOYMENT PROGRAMS FOR YOUTH. IT WOULD SEEM THAT THE OLD ADAGE "IF IT AIN'T BROKE, DON'T FIX IT" WOULD APPLY HERE.

OLDER WORKERS

ANOTHER GROUP OF PARTICULAR CONCERN TO THE URBAN LEAGUE IS OLDER WORKERS. WE SUPPORT THE AMENDMENT TO INCREASE THE INCOME LIMIT UNDER THE TRAINING PROGRAM FOR OLDER INDIVIDUALS TO 125 PERCENT OF POVERTY. THIS WILL MAKE THE DEFINITION OF LOW INCOME CONSISTENT WITH THAT OF THE SENIORS IN COMMUNITY SERVICE PROGRAM (SCSP) UNDER TITLE V OF THE OLDER AMERICANS ACT. WE WOULD FURTHER ADD THAT ANYONE WHO IS PARTICIPATING IN SCSP SHOULD BE AUTOMATICALLY ELIGIBLE FOR JTPA. CURRENTLY, SDAS VARY AS TO WHETHER THEY COUNT INCOME FROM PARTICIPATION IN SCSP IN DETERMINING JTPA ELIGIBILITY. IF THE INCOME IS COUNTED, THESE INDIVIDUALS COULD BE MADE INELIGIBLE FOR JTPA TRAINING. WE ARE PROPOSING THAT THESE INDIVIDUALS BE MADE CATEGORICALLY ELIGIBLE FOR JTPA.

OTHER PROVISIONS

THERE ARE A FEW REMAINING PROVISIONS ON WHICH I WOULD LIKE TO BRIEFLY COMMENT. THE PROPOSAL TO LIMIT THE REDUCTION IN THE AMOUNT OF FUNDS RECEIVED BY AN SDA TO 90 PERCENT OF THE AVERAGE OF THE PRIOR 3 YEARS SHOULD SUBSTANTIALLY REDUCE THE FLUCTUATION IN LOCAL FUNDING AND FACILITATE SDA PLANNING. WE SUPPORT THIS PROPOSAL. WE ALSO SUPPORT THE PROPOSAL TO MAKE FUNDS FOR TECHNICAL ASSISTANCE BY THE STATE AVAILABLE TO ALL SDAS RATHER THAN JUST THOSE INELIGIBLE FOR INCENTIVE GRANTS.

WITH REGARD TO THE PROPOSAL UNDER COST PROVISIONS, WHICH WOULD PROVIDE SDAS WITH GREATER FLEXIBILITY IN THE EXPENDITURE OF INCENTIVE GRANTS, WE WOULD STIPULATE THAT THIS MONEY SHOULD BE USED TO ENHANCE PROGRAM SERVICES AS WELL AS ADMINISTRATIVE SERVICES.

My final comment concerns the proposed revision in enforcement procedures. This amendment would allow a govenor to suspend financial assistance to noncompliant SDAs and reallocate the funds to other SDAs in the state. We are concerned that such a procedure would result in the deprivation of training and employment services to participants due to violations committed by program administrators. As an alternative, we propose that in the event of noncompliance by local program administrators, the governor should designate another entity to administer the program in that SDA. In this way the penalty is limited to the program administrator and would not directly affect the participants.

Mr. Chairman, I would like to thank you for the opportunity to participate in this hearing and commend you on your efforts to strengthen the JTPA program.

Senator Quayle. Thank you very much. We look forward to examining some of those suggestions, and in particular, your concern with the enforcement provisions. We have got to figure out exactly the best way to do it for those we are attempting to help.

Next, Ms. Georgetta Mitchell, president of the Displaced Homemakers Network here in Washington.

Ms. Mitchell.

Ms. Mitchell. Thank you, Mr. Chairman.

I am the president of the Displaced Homemakers Network and also a supervisor of Intake and Assessment for the Houston Job Training Partnership Council.

However, today I am speaking to you on behalf of the 4 to 6 million displaced homemakers and the more than 700 programs that provide services to them.

As you are aware, displaced homemakers are usually middle-aged or older women who have lost their unpaid jobs because of death, divorce, physical disablement of another family member. Frequently, they are too young for Social Security, and they are ineligible for unemployment insurance. They definitely fall between the cracks.

However, they have families to support, and they need job training in order to secure employment that will allow them to support themselves and their families.

But the barriers that they encounter are many. A report on displaced workers recently published by the Office of Technology Assessment notes, "Barriers to employment are higher for displaced homemakers than for mainstream displaced workers, because many have little experience in a paid job."

There are over 700 programs that provide assistance to displaced homemakers and help them overcome employment barriers. Many of these programs receive their funds through title II-A and title

III of JTPA. And because displaced homemakers are named as a population facing special barriers to employment and are therefore eligible to be served under the 10 percent window in title II, some programs have used these funds.

The Network has been actively involved in facilitating and monitoring the implementation of JTPA since it became law. We have provided training at sites across the country, as well as providing technical assistance. This year, we are working with the Women's Bureau and Wider Opportunities for Women to conduct regional workshops on coordinating JTPA and Vocational Education Act funds and programs.

Last year, we also conducted a national survey of our programs to determine how well displaced homemakers are faring under JTPA. In short, we come to these hearings with knowledge of and commitment to making JTPA work as a job training program.

We would like to comment on three of the proposed amendments.

First, we support the proposal to set performance standards measuring the long-term impact of program participation. We believe that such standards should ultimately prove to be a vehicle for improving program services.

The Network's survey of programs receiving JTPA funds showed that the majority of program participants were enrolled in short-term training that only led to entry-level, minimum-wage jobs.

One of our Indiana programs said that they referred very few clients, because the training provided them with little more than they would receive on AFDC; and some of the training turned out to be like telemarketing and telecommunications—in other words, just phone solicitation.

If displaced homemakers receive training for entry-level, low-paying jobs, with little opportunity for advancement, then the value of that training is very limited.

Currently, performance is measured at placement, and many believe that any placement is a good placement. The Network, however, believes that all placements are not equal.

A successful placement is one that leads to stable employment and a job with a future, with earnings sufficient for supporting a family.

Furthermore, we believe that the proposal to have the Secretary of Labor prescribe performance standards measuring the long-term impact of program participation should encourage PIC's to let contracts for the kinds of training which can lead to genuine economic self-sufficiency.

Performance standards which measure the long-term impact would provide PIC's with the incentive to see that supportive services are made available to program participants after they are placed in jobs, as the law allows.

The second amendment that we would like to support is the provision for adjusting performance standards to include factors recognizing that certain characteristics of program participants justify additional cost.

JTPA seeks to serve those most in need. The fact is, those most in need often have special needs. For displaced homemakers, "special needs" means receiving a comprehensive array of job training services. Since they do not have recent paid job experience which is so important to employers, and the fact is that many have never worked in the paid labor force, they need additional services. They require more than a few weeks' of job search assistance, resume-writing and interest inventories.

The third item that we would like to address is that the Displaced Homemakers Network recommends that displaced homemakers be named in the law as a population eligible to receive services under title III of JTPA. Several States are currently doing this. However, others have contacted the Network and they have said that they need clarification concerning displaced homemakers 'eligibility under title III.

Displaced homemakers have lost their unpaid jobs as homemakers, and for most, returning to this occupation is not an option. The Network urges Congress to provide to States the clarification they are seeking by identifying displaced homemakers as eligible for services under title III.

We thank you for these hearings, and we hope that we can work with you to secure passage of the amendments about which we have testified.

Senator QUAYLE. Thank you very much, Ms. Mitchell.

[The prepared statement of Ms. Mitchell follows:]

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Statement of

Georgetta Mitchell, President

Displaced Homemakers Network

before the

Subcommittee on Employment and Productivity

Senate Committee on Labor and Human Resources

March 11, 1986

I am Georgetta Mitchell, President of the Displaced Homemakers Network. I am also Supervisor of Intake and Assessment of the Houston JTPA, but today I speak to you as a representative of this country's 4-6 million displaced homemakers and the more than 700 employment and training programs which serve them.

Displaced homemakers are middle-aged and older women who have lost their unpaid jobs as homemakers upon the death, divorce, separation or disability of their spouses or upon the loss of long-term public assistance. Too young for Social Security and ineligible for unemployment insurance, they fall through the cracks of our society. Typically, they have families to support, and, even more typically, they need job training in order to secure employment that will allow them to support themselves and their families.

But the barriers they face to employment are substantial. As a report on displaced workers recently published by the Office of Technology Assessment notes, "Barriers to employment are higher for displaced homemakers than for mainstream displaced workers, because many have little experience in a paid job" (U.S. Congress, Office of Technology Assessment, Technology and Structural Unemployment : Reemploying Displaced Adults, OTA-ITE-250, Washington, D.C.: Government Printing Office, February 1986, p.5).

Over 700 displaced homemaker programs assist displaced homemakers in overcoming employment barriers and achieving economic self-sufficiency by providing counseling, job search assistance and skills training. Many of these programs receive

Job Training Partnership Act (JTPA) funds--specifically, Title II and Title III--for serving displaced homemakers. Because displaced homemakers are named as a population facing special barriers to employment and are therefore eligible to be served under the 10% window in Title II, some programs have been able to tap this resource.

The Displaced Homemakers Network (DHN) has been actively involved in facilitating and monitoring the implementation of JTPA since it became law. For three years we have provided training on JTPA at sites across the country, as well as on-going technical assistance, to our members. This year we are working with the Women's Bureau of the U.S. Department of Labor and Wider Opportunities for Women to conduct regional workshops on coordinating JTPA and Vocational Education Act funds and programs. Additionally, last year, we conducted a national survey of our programs to determine how well displaced homemakers are faring under JTPA. In short, we come to these hearings with knowledge of and commitment to making JTPA work as a federal job training system.

We appreciate the opportunity to provide testimony on S.2069, specifically on three proposals for amending the law which should result in improved services for displaced homemakers and other populations in need of job training.

First, we support S.2069's proposal to set performance standards measuring the long-term impact of program participation. We believe such standards should ultimately prove to be a vehicle for improving program services.

Genuine economic self-sufficiency can only be measured over time. Furthermore, it is the product of a "good" job, that is, a job which is not dead-end, not part-time, and not without benefits. Obtaining such a job requires more than short-term training.

However, the Network's survey of programs receiving JTPA funds showed that the majority of program participants were enrolled in short-term training leading to entry-level, minimum-wage jobs. The occupational areas most frequently cited by training programs were clerical and health care (typically nurse's aide). One displaced homemaker program which did not have a JTPA contract commented upon this situation, identifying the inherent problem:

> We referred very few clients because even with the training they could earn little more than AFDC and in one case a woman was worse off than being on welfare. Presently clients are referred but the approach is traditional jobs for women (low pay)--clerical, food service, retail, etc.

An Indiana displaced homemakers program reports a similar situation: "Some of the training is for jobs which turn out to be minimum-wage and part-time, such as a recent one in Telemarketing and Telecommunication--phone solicitation, in other words!"

In sum, anecdotal evidence and DHN's survey findings combine to sound a cautionary note. If displaced homemakers receive training for entry-level, low-paying jobs with little opportunity for advancement---that is , for jobs that will not allow them to support themselves and their children--then the value of the training is limited.

How does the nature of training relate to long-term performance standards? Currently, performance is measured at placement, and any placement is therefore a good placement. The Displaced Homemakers Network believes that all placements are not equal. A successful placement is one that leads to stable employment in a job with a future, with earnings sufficient for supporting a family. S.2069's proposal to have the Secretary of Labor prescribe performance standards measuring the long-term impact of program participation should result in having Private Industry Councils think in terms of the long-term impact of the kind of training and job placements to come out of JTPA programs. This, we believe, should encourage PICs to let contracts for the kind of training which can lead to genuine economic self-sufficiency.

Furthermore, performance standards which measure the long-term impact should provide PICs with the incentive to see that supportive services are made available to program participants after they are placed in jobs, as the law allows. Many women, in the critical first few months after having obtained employment, find they cannot afford the cost of child care and transportation. Until they have worked for a while, they simply do not have the money required to maintain employment. However, if PICs become more sensitive to the long-term impact of programs, they will naturally be concerned with having program participants be able to keep the jobs in which they were placed. Thus, they should be more inclined to continue providing supportive services after placement.

The second section of S.2069 for which we express strong support is the provision for adjusting performance standards to include factors recognizing that certain characteristics of program participants justify additional costs. JTPA seeks to serve those "most in need." The fact is, those most in need may have special needs. For displaced homemakers, "special needs" means receiving a comprehensive array of job training services. Displaced homemakers do not have the recent paid work experience which is so important to prospective employers; indeed, they may never have worked in paid labor force. Not only are they often unfamiliar with the world of work, their marketable job skills are rusty or obsolete. Futhermore, they are in the midst of a major change in their lives. Consider the situation of a woman who has been recently widowed. She faces this major adjustment at the same time that she must adjust to supporting herself and her family and moving from the home to the workplace.

The training needs of this displaced homemaker are comprehensive. She requires more than a few weeks of job search assistance--resume writing, interest inventories and the like are only one facet of her training needs. Similarly, a short-term program in an occupational skills area will not, by itself, be sufficient for helping her secure employment. Also, she will require supportive services, especially child care and transportation, in order to participate in a program.

Because her training needs are comprehensive, the associated cost per placement will be somewhat higher than some PICs currently find attractive. At present, the JTPA system has built-in incentives for training those individuals who can be most easily--that is, most cheaply--placed in jobs. S.2069's proposal to adjust performance standards in light of certain characteristics of program participants would eliminate this disincentive, thereby allowing JTPA to do a better job of serving displaced homemakers and other special populations.

On a related issue, the Displaced Homemakers Network recommends that the cost of supportive services not be included in the formula for figuring the cost per placement. Including this cost penalizes contractors and PICs which are committed to providing training for persons who need supportive services if JTPA programs are to be truly accessible to them.

Finally, the Displaced Homemakers Network recommends that displaced homemakers be named in the law as a population eligible to receive services under Title III of JTPA. Several states, including Florida, Oklahoma and California, have been using Title III money for displaced homemakers to good effect, and other states have contacted the Network about using their funds in this way. New York recently named displaced homemakers as a Title III-eligible population in its new state plan, and displaced homemakers were named in Florida's first state plan.

However, while many states have expressed interest in and commitment to making Title III work for displaced homemakers, several states are equally interested but seek clarification oncerning displaced homemakers' eligibility. Displaced homemakers have lost their unpaid jobs as homemakers and, for most, returning to this occupation is not an option. A 50-year-old widow, for example, may have spent 30 years in the home caring for her family. With the death of her husband, she is displaced, suddenly and permanently. At this point she desperately needs retraining in order to become economically self-sufficient. DHN urges Congress to provide to states the clarification they are seeking by identifying displaced homemakers as eligible for services under Title III.

In closing, the Displaced Homemakers Network would like to express its appreciations of the Subcommittee on Employment and Productivity's work on S.2069. We believe the amendments addressed in our testimony are good ones, and we welcome the opportunity to work with you in securing their passage.

Senator QUAYLE. Next, we will hear from Mr. Van Valkenburgh, executive director of the Rappahannock Services Corporation in Fredericksburg.

Mr. VAN VALKENBURGH. Thank you, Mr. Chairman.

I am appearing before you today representing the National Association of Rehabilitation Facilities [NARF]. I currently serve on NARF's board of directors. I am also completing a term this year on the Bay Consortium Private Industry Council as a representative of rehabilitation facilities and the city of Fredericksburg, VA.

NARF is a national organization of rehabilitation facilities with more than 500 institutional members. Members provide a range of comprehensive rehabilitation services to more than 400,000 handicapped people annually. These members include comprehensive rehabilitation hospitals, rehabilitation units of acute care hospitals, sheltered workshops, outpatient rehabilitation facilities, and work activity centers.

As you are better aware than most people, Mr. Chairman, the Job Training Partnership Act is the latest in a series of federally funded job training programs and is the most locally controlled Federal job training program. Decisions as to who will be served and what organization will be used are being made by almost 600 private industry councils.

Funding for the basic training program under JTPA is currently set at $1.86 billion per year. Given the level of funding, the local discretion, the restriction on administrative costs, and high utilization of performance based contracts, rehabilitation facilities should be able to take good advantage of JTPA.

However, experience thus far has been mixed at best, primarily because local programs have been more inclined to fund short term programs for persons who need few services to move to employment. Few specialized programs are funded for handicapped persons. High performance standards cannot be met by most handicapped trainees, and most PIC's and State councils have not been willing to modify these standards to allow more enrollment of handicapped trainees.

A primary concern of NARF is that it appears that proportionally fewer persons with disabilities are being served under JTPA than had been served under CETA. The Department of Labor has reported that 7.3 percent of both adults and youth served by JTPA were handicapped. While claiming to be an impressive figure by the Department, it falls short of the 10-percent level achieved by CETA. In my State of Virginia, the figures are close to those national averages. There, 8.4 percent of adults being served are handicapped, but only 5.2 percent of the youth are disabled.

During field hearings in Indiana, Costa Miller of the Indiana Association of Rehabilitation Facilities reported that only 3.3 percent of adults served are disabled, and only 4.2 percent of the youth are disabled.

These figures lead us to believe that both States and individual SDA's should be required to identify the proportion of the population that is eligible for JTPA services that are disabled, and to describe what services will be made available to those disabled persons in the State and local program.

Performance standards have posed a substantial barrier to the inclusion of handicapped persons in the JTPA Program. While the original law and regulations allow for some variation from the performance standards, there is little if any incentive for local or State officials to modify performance standards. Local JTPA Programs are able to serve only a small proportion of the eligible population. They can easily spend all the funds and fill all the available slots without having to modify the performance standards. Rehabilitation facilities and the disabled persons they serve must adjust their programs and expectations to the performance standards. In the case of disabled persons, this is not necessarily to their advantage. The performance standards seem to have been developed to reflect a need for short-term, job-readiness services that will place persons in the jobs as quickly as possible. They also reflect an anticipation that the jobs will be above minimum wage, entry-level jobs.

This, too, poses a problem. For many disabled persons, the performance standards are not reasonable. The beginning wage of $4.91 an hour is a serious impediment. While many, if not most, disabled persons can and do earn substantially above the minimum wage, the people served by rehabilitation facilities and the persons who need services funded by JTPA cannot meet the performance standards level, at least not initially.

Many of the jobs for which severely disabled persons are best qualified are in fact entry-level jobs where the beginning rate is the Federal minimum wage. The restrictions on cost per placement also makes it difficult to provide the longer-term services that disabled persons often need.

As a PIC member and as a service provider, I have had first-hand knowledge of the positive points and negative points of the performance standards. As a service provider, I prefer having quantifiable standards that my program must meet to receive funding. However, there needs to be more flexibility in the law and regulations to encourage the local PIC to adjust these standards for certain harder-to-serve populations such as the handicapped, not just to my service provider or whatever the service provider happens to be.

Our PIC meeting every 3 months finds that it is difficult if not impossible to deal with overly technical issues such as modification of these numeric standards.

The amendment to JTPA in S. 2069 that would require the Secretary of Labor to adjust the performance standards to reward SDA's that provide longer term training needed by hard-to-serve populations will be of assistance in helping the PIC's identify and begin to serve these populations.

In the interest of time, I will stop my statement here, Mr. Chairman, because I understand the complete testimony will be made a part of the record.

Senator QUAYLE. Yes, the entire statement will be made part of the record. It is important that you be here to testify to show your interest, and I thank you for that.

[The prepared statement of Mr. Van Valkenburgh follows:]

NARF

NATIONAL ASSOCIATION OF REHABILITATION FACILITIES

John E. Lapidakis
President

John A. Doyle
Executive Director

Testimony
Of
C.W. Van Valkenburgh, Executive Director
Rappahannock Rehabilitation Facility, Inc.
Fredericksburg, Virginia

on behalf of

The National Association of Rehabilitation Facilities

Before

Employment and Productivity Subcommittee
Labor and Human Resources Committee
U.S. Senate

March 11, 1986

P.O. Box 17675, Washington, D.C. 20041 • (703) 556-8848

My name is Woody Van Valkenburgh. I am the Executive Director of the Rappahannock Rehabilitation Facility, Inc. in Fredericksburg, Virginia. I am appearing before you today representing the National Association of Rehabilitation Facilities (NARF). I currently serve on NARF's Board of Directors. I am also completing a term this year on the Bay Consortium PIC as the representative of rehabilitation facilities and of the City of Fredericksburg.

NARF is a national organization of rehabilitation facilities with more than 500 institutional members. Members provide a range of comprehensive rehabilitation services to more than 400,000 handicapped people annually. These members include comprehensive rehabilitation hospitals, rehabilitation units of acute care hospitals, sheltered workshops, outpatient rehabilitation facilities and work activity centers.

As you are better aware than most people, Mr. Chairman, the Job Training Partnership Act, is the latest in a series of Federally funded job training programs that began with the Manpower Development and Training Act (MDTA) and included the Comprehensive Employment and Training Act. JTPA is the most locally controlled Federal job training program. Decisions as to who will be served and what organizations will be used will be made by almost 600 local private industry councils (PIC).

Funding for the basic training program under JTPA is currently set at $1.86 billion per year. Given the level of funding, the local discretion, the restriction on administrative costs, and the high utilization of performance based contracts, rehabilitation facilities should be able to take good advantage of JTPA. However, experience thus has been mixed, at best. Local programs have been more inclined to fund short-term programs for persons who need few services to move to employment. Few specialized programs are being funded for handicapped persons. High performance standards cannot be met by most handicapped trainees and, most PICs and State Councils have not been willing to modify these standards to allow more enrollment of handicapped trainees.

A primary concern of NARF is that it appears that proportionally fewer persons with disabilities are being served under JTPA than had been served under CETA. The Department of Labor has reported that 7.3 percent of both adults and youth served by JTPA were handicapped. While claimed to be an impressive figure by the Department, it falls short of the 10 percent level achieved under CETA. In my State of Virginia the figures are close to these national averages. There, 8.4 percent of the adults being served are handicapped but only 5.2 percent of the youth are disabled. In Indiana only 3.3 percent of the adults served are disabled and 4.2 percent of youth.

These figures lead us to believe that both states and individual SDA's should be required to identify the proportion of the population that is eligible for JTPA services that are disabled, and to describe what services will be made available to those disabled persons in the state and local program.

Performance standards have posed a substantial barrier to the inclusion of handicapped persons in the JTPA program. While the original law and regulations allow for some variation from the performance standards, there is little, if any, incentive for local or state officials to modify performance standards. Local JTPA programs are able to serve only a small proportion of the eligible population. They can easily spend all the funds and fill all the available slots without having to modify the performance standards. Rehabilitation facilities and the disabled persons they serve must adjust their programs and expectations to the performance standards. In the case of disabled persons, this is not necessarily to their advantage. The performance standards have been developed to reflect a need for short terms, job readiness services that will place persons into jobs as quickly as possible. They also reflect an anticipation that the jobs will be above minimum wage, entry level jobs.

For many disabled persons the performance standards are not reasonable. The beginning wage of $4.91 is a serious impediment. While many, if not most, disabled persons can and do earn substantially above the minimum wage, large numbers of people served by rehabilitation facilities needing services funded by JTPA cannot, at least initially meet the performance standards level. Many of the jobs for which severely disabled persons are best qualified are in fact entry level jobs where the beginning rate is the Federal minimum wage. The restrictions on cost per placement also makes it difficult to provide the longer term services that disabled persons often need.

As a PIC member and as a service provider I have first -hand knowledge of the positive points and negative points of the performance standards. As a service provider I prefer having quantifiable standards that my program must meet to receive funding. However, there needs to be more flexibility in the law and regulations to encourage the local PIC to adjust these standards for certain harder to serve populations such as the handicapped. Our PIC meets every three months and it is difficult, if not impossible, to deal with overly technical issues such as modification of a numeric standard which the Department of Labor sets for the performance standards. The amendment to JTPA in S. 2069 that would require the Secretary of Labor to adjust the performance standards to reward SDA's that provide longer term training needed by hard to serve populations will be of assistance in helping PIC's identify and begin to serve these populations.

Rappahannock Rehabilitation Facility is finally beginning to provide some significant services under JTPA. This year we will have three programs funded under JTPA. Two programs will be for youth, one in school and one out of school, and one adult program. These programs will serve a general population of persons eligible for JTPA. We have made it known to our local PIC that since the mission of Rappahannock Rehabilitation Facility is to serve disabled persons, we will place as much emphasis as possible on disabled persons in our JTPA funded programs. This means that between 20 and 25 percent of the people we serve under our JTPA programs will be disabled. We need programs that are aimed more directly at disabled persons who could benefit from JTPA services but we will use this as a start.

One of the most pressing needs under the JTPA program and for job training programs in general is the need for coordination of the various programs that provide job training. These include JTPA, Vocational Education and Vocational Rehabilitation. Community based rehabilitation facilities are an excellent source for coordination for these agencies as they impact disabled persons. I would urge you to strengthen the language in the law which suggests a representative of rehabilitation facilities on local PICs. Stronger language in the law and in reports from this subcommittee for utilization of community based rehabilitation facilities would help strengthen services to persons with disabilities.

I thank you for this opportunity to appear before you. I will be glad to try and answer any questions you may have. Our national association staff has worked closely with your staff in the past and they stand ready to provide additional information and assistance.

THE WASHINGTON POST
A10 SATURDAY, NOVEMBER 2, 1985

Sen. Melcher Is Smiling Again

Enigmatic Montanan Draws GOP Ire for Thwarting Farm Bill

By Ward Sinclair
Washington Post Staff Writer

The elfin fellow with the enigmatic smile is down there again on the Senate floor, driving Republicans out of their tree, which must mean that farm legislation is pending again and that John Melcher of Montana is up to his old tricks.

As often happens to others in this curious city, Melcher has somehow got a reputation—not necessarily pejorative—as an obstructer of farm legislation and as a man of unfathomable motivation.

But in another sense, as the Senate debates a new farm bill, the Democrat from Montana is all that stands in the way of a Reagan administration steamroller that wants to squash federal farm spending and reshape the rural countryside.

Once again, as has happened in the past, the rules of the Senate have given Melcher a whip hand in the debate and the Republican leadership is pulling out every parliamentary stop it can find to sit him down.

Majority Leader Robert J. Dole (R-Kan.) has denounced him on the floor, blamed him for thwarting passage of the bill and called into question the sincerity of his professed aim of aiding farmers. Agriculture Committee Chairman Jesse Helms (R-N.C.) sputters and gets emotional when Melcher starts talking.

Through it all, Melcher cracks a small smile that never lets on what he is really thinking, and just keeps coming back at them. He did it again last week and, sure enough, the Republicans were dispep[illegible].

The background is that Melcher led a campaign in the committee to stop the administration's plan to cut income supports, known as deficiency payments, that are paid to grain, cotton and rice farmers. With help from GOP defectors, Melcher got the panel to adopt a four-year freeze on the subsidies instead of the one-year freeze the White House sought.

Back in the summer, when it appeared Melcher had the votes to carry the day, Helms refused to reconvene the committee to allow the inevitable vote. Then the Senate left on August recess and did not confront the Melcher four-year freeze again until mid-September.

But the freeze carried and went to the floor as part of the farm bill, despite efforts by Dole and Helms to get the committee to reverse itself. Things [illegible] been nasty ever since.

SEN. JOHN MELCHER
. . . standing in steamroller's way

On the floor last week, Dole and Helms flexed their muscles a couple of times, trying to upset Melcher, but it didn't exactly work. They railed at Melcher for backing budget-busting legislation, but then blocked his bid to call up an amendment that would have trimmed $7.6 billion from the farm bill.

They lost, 51-48, when they tried to pass their one-year freeze on subsidy payments. Through a complex parliamentary move, Dole regained control and got the Senate to support him on a test vote that left a substitute, with the one-year freeze, as the pending business.

Through it all, John Melcher just smiled.

Dole denounced his budget cut ideas as "smoke and mirrors." Melcher smiled.

When Dole put some of the Melcher ideas in his own substitute, Melcher forced him to admit they were the same smoke and mirrors. Melcher smiled again.

"There are other places in the farm bill to save money, not just by cutting target prices," Melcher said in an interview. "They have dealt with target prices as a crucial part of the bill and I thank them for it. It is a symbol to the rural community whether we are going to do something for farmers. They have handed us the high ground and I thank them for it."

The issue is important enough to the GOP leadership that Dole has threatened senators from the cotton and rice areas—where deficiency payments tend to be highest—that the subsidies will be cut if they do not come out for the one-year freeze.

Melcher is smiling, in part because he has been there before—and stopped the seeming juggernauts. At least four times since 1981, with farm-related legislation hanging fire on the floor, Melcher has thrown up roadblocks because he did not like what was happening.

The odd thing about this, considering Melcher's reputation as a blind defender of the federal farm support programs, is that he actually does not like them.

"I have a problem with the whole scheme," he said. "Why do we have to have a program that pays farmers in lieu of them getting a price from the marketplace? The only reason I vote for these things is to keep them going until we come to our senses in this country. Why don't we find other mechanisms?"

Another tag they keep hanging on Melcher is that he is obsessed with ideas for sending more surplus food to the needy around the world. Mention "food aid," and a Melcher dissertation is sure to follow.

He probably is the foremost congressional champion of feeding the hungry in other nations. The specter of American grain and dairy products going unused drives him batty.

"If I were dictator for a day? I would set up exports, provide more impetus on exports, and my policy would be to try to turn our production machine loose to try to meet the world's needs," he said.

"This administration is blatant in its belief that there are too many farmers in this country. There really are not. There simply isn't too much food in the world. We're blessed in the variety of foods we have and there's just a breakdown in supplying that food to people who need it.

"And I say that's a hell of a lot more important right now than whether we have Reagan's 'Star Wars' defense or MX missiles."

Back to the farm bill, Melcher is smiling that smile again. "I don't care what Dole does to me. I don't mind his verbal assaults. But, obviously, he's been doing the stalling around here. . . ."

Will Melcher block it in the end? Will he talk the bill to death? He's smiling again, and the enigmatic plainsman is riding again. "The rules allow you to express your judgment," he said. "And sway the vote one way or another."

Senator QUAYLE. Next, on behalf of the Homebuilders Institute, Mr. Al Androlewicz, who is the division vice president, Education and Human Services, of RCA Service Company.

Mr. Androlewicz.

Mr. ANDROLEWICZ. Thank you, Mr. Chairman.

I am here because of State taxes on Job Corps Center transactions. As a major contracator in the Job Corps Program, and after discussing this issue with the National Association of Homebuilders and other major contractors, we are concerned that some States are assessing sales and use taxes on Job Corps Center transactions.

It has been our position that the intent of the law is to exempt Job Corps Centers from this type of tax.

We are also concerned that there seems to be renewed interest on the part of some States to assess a State tax. In fact, RCA was recently notified by the State of Maryland that a sales and use tax would be assessed against our Job Corps Centers in that State.

The last 5 years have brought severe budget pressures on Job Corps to reduce costs. Job Corps has met this challenge through various efficiencies. Now the budget pressures have increased this year, and as a result of the Gramm-Rudman law, some Job Corps Centers will be closed.

If other States decide to assess taxes on Job Corps Center transactions, it will mean additional loss of centers, thus further reducing the number of hard-core disadvantaged youth to be served.

The resources are limited, and Congress intended the money to be spent on training the corps members. The various State taxes imposed on the Job Corps Centers does not affect RCA as the additional moneys expended are reimbursable under the contract. The nonprofit contractors may have special difficulty, because they are not mentioned in the law.

RCA's interest is to see that the money is expended on training as intended. In the one sense, the pressures to reduce cost per training slot are extreme, and then the training dollar is being further reduced by additional taxes which Congress did not intend. This is taking money directly from the corps members and will make it more difficult to serve the disadvantaged youth of our country.

As an example, the tax impact on the three Maryland centers is estimated to be $20,000—at the Woodland Center, $45,000 at the Woodstock Center, and $100,000 at the Chesapeake Center—on an annual basis. This is a substantial impact and will eventually reduce the money available for corps member training.

The language of the present law is not explicit enough to guarantee to exempt Job Corps Center transactions from all State excise, sales, use, or other taxes as intended by Congress. The Job Corps Centers are operated by the contractors on behalf of the Secretary of Labor and should not generate such taxes.

Over the years, a great deal of time and money has been expended by contractors to dispute the attempts of States to assess such taxes against center transactions. Many times it has been difficult to maintain the tax-exempt status.

Since 1980, RCA has been in contact with the States of Maryland, Virginia, Massachusetts, and the District of Columbia. In these cases, RCA and other contractors were able to convince the

State representatives that the intent of Congress was to exempt the Job Corps Center from such State taxes.

The State of Maryland has since changed its opinion and is now assessing the Maryland centers a State sales and use tax.

The contact with these States required extensive research and internal legal opinions. RCA has not been reluctant to dispute such tax claims, but with the present budget atmosphere and pressures on both Federal and State budgets, the concern is that more States may choose to interpret the law in their favor and require the centers to pay State taxes.

I have included in the additional information section copies of letters to the various States and the District of Columbia that I just mentioned.

As I stated above, the State of Maryland has reversed its ruling based on the United States versus the State of Mississippi, and if this ruling is allowed to stand without some modification to the language of the law, I am sure most other States where Job Corps Centers are located will also begin to assess State taxes on Job Corps transactions.

Mr. Chairman, if the money allocated to Job Corps is to be expended on the training of the corps members, as intended by Congress, then it will be necessary to amend the Job Training Partnership Act tax language.

The regulations as published are more specific than the law, but the States will not exempt Job Corps contractors unless the law spells out the exemptions specifically.

I have enclosed in the additional information section for your consideration a copy of a proposed technical and clarifying amendment to section 437(c) of the Job Training and Partnership Act.

Mr. Chairman, RCA and its fellow Job Corps contractors strongly recommend a technical amendment to the Job Training Partnership Act which will specifically spell out the exemptions for such taxes as we have discussed here today. It is important to the future of the Job Corps Program to keep its costs controlled, and such a technical amendment would assist the contractors in doing so.

Thank you for allowing me the privilege of speaking before you today.

Senator **QUAYLE**. Thank you very much.

[The prepared statement of Mr. Androlewicz follows:]

Statement of

Aloysius A. Androlewicz

Division Vice President, Education and Human Services

RCA Service Company

A Division of RCA Corporation

Presented to

The Senate Subcommittee on Employment and Productivity

March 11, 1986

Mr. Chairman and members of the Committee, thank you for the opportunity to testify before this committee. My name is Al Androlewicz and I am Vice President of Education and Human Services for the RCA Service Company. Part of my responsibility is to assure the successful operation of 11 Job Corps Centers which RCA operates under contract to the Department of Labor.

As a major contractor in the Job Corps program and after discussing this issue with other major contractors, we are concerned that some states are assessing sales and use taxes on Job Corps Center transactions. It has been our position that the intent of the law is to exempt Job Corps Centers from this type of tax.

We are also concerned that there seems to be renewed interest on the part of some states to assess a state tax. In fact, RCA was recently notified by the State of Maryland that a sales and use tax would be assessed against our Job Corps Centers in Maryland. We have notified the Department of Labor of the impending assessment and also alerted the Department to the need for additional funds since this tax was not anticipated in our pricing.

The last five years have brought severe budget pressures on Job Corps to reduce costs. Job Corps has met this challenge through various efficiencies. Now the budget pressures have increased this year and as a result of the Gramm-Rudman Law some Job Corps Centers will be closed. If other states decide to assess taxes on Job Corps Center transactions, it will mean additional loss of Centers, thus further reducing the number of hard core disadvantaged youth to be served.

The resources are limited, and Congress intended the money to be spent on training the corpsmembers. The various state taxes imposed on the Job Corps Centers does not affect RCA as the additional monies expended are reimbursable under the contract. The non-profit contractors may have special difficulty because they are not mentioned in the law. RCA's interest is to see the money is expended on training as intended. In the one sense the pressures to reduce cost per training slot are extreme, and then the training dollar is being further reduced by additional taxes which Congress did not intend. This is taking money directly from the corpsmembers and will make it more difficult to serve the disadvantaged youth of our country. As an example, the tax impact on the three Maryland Centers is estimated to be Woodland, $20,000; Woodstock $45,000; and Chesapeake $100,000. This is a substantial impact and will eventually reduce the money available for corpsmember training.

I understand a dozen states now assess taxes on Job Corps transactions and base the right to do so on various interpretations of the law within their state legal systems.

The language of the present law is not explicit enough to guarantee to exempt Job Corps Center transactions from all state excise, sales, use, or other taxes as intended by Congress. The Job Corps Centers are operated by the contractors on behalf of the Secretary of Labor and should not generate such taxes.

Over the years, a great deal of time and money has been expended by contractors to dispute the attempts of states to assess such taxes against the Center transactions. Many times, it has been difficult to maintain the tax exempt status. Since 1980, RCA has been in contact with the States of Maryland, Virginia, Massachusetts, and with the District of Columbia. In these cases, RCA and other contractors were able to convince the state representatives that the intent of Congress was to exempt the Job Corps Center from such state taxes. The State of Maryland has since changed its opinion and is assessing the Maryland Centers a state sales and use tax. The contact with these states required extensive research and internal legal opinions. RCA has not been reluctant to dispute such state tax claims but with the present budget atmosphere and pressures on both Federal and State budgets, the concern is that more states may choose to interpret the law in their favor and require the Centers to pay state taxes. I have included in the Additional Information section of this testimony, letters from the following states and the District of Columbia:

- Massachusetts
- Maryland
- Virginia
- District of Columbia

As I stated above, the State of Maryland has reversed its ruling based on the United States versus State of Mississippi, and if this ruling is allowed to stand without some modification to the language of the law, I am sure most other states where Job Corps Centers are located will also begin to assess state taxes on Job Corps transactions.

Mr. Chairman, if the money allocated to Job Corps is to be expended on the training of the corpsmembers as intended by Congress, then it will be necessary to amend the Job Training Partnership Act.

The regulations as published are more specific than the law, but the states will not exempt Job Corps contractors unless the law spells out the exemptions specifically.

I have enclosed in the Additional Information section, for your consideration, a copy of a proposed technical and clarifying amendment to Subsection 437(c) of the Job Training and Partnership Act.

Mr. Chairman, RCA and its fellow Job Corps contractors strongly recommend a technical amendment to the Job Training Partnership Act which will specifically spell out the exemptions for such taxes as we have discussed here today. It is important to the future of the Job Corps program to keep its cost controlled and such a technical amendment would assist the contractors in doing so.

Thank you for allowing me the privilege of speaking before you today.

Enclosures

Additional Information
Supplementing the
Statement of A. A. Androlewicz to the
The Senate Subcommittee on Employment and Productivity

General

RCA has managed and operated residential training Centers for the U.S. Department of Labor's Job Corps programs since 1966. This effort entails the presentation of vocational training programs to jobless youths and the operation and maintenance of all associated training and living facilities. Over the years, RCA has increased support to Job Corps to the extent that it now operates 11 Centers nationwide, with an aggregate of over 4400 students in training and total RCA staffing of 1300. The Centers operated by RCA are:

- Blue Ridge Job Corps Center, Marion, Virginia.
- Chesapeake Job Corps Center, Port Deposit, Maryland.
- Inland Empire Job Corps Center, San Bernardino, California.
- Keystone Job Corps Center, Drums, Pennsylvania.
- Oneonta Job Corps Center, Oneonta, New York.
- Potomac Job Corps Center, Washington, D.C.
- Tongue Point Job Corps Center, Astoria, Oregon.
- Westover Job Corps Center, Chicopee, Massachusetts.
- Whitney Young Job Corps Center, Simpsonville, Kentucky.
- Woodland Job Corps Center, Laurel, Maryland.
- Woodstock Job Corps Center, Woodstock, Maryland.

Vocational training is offered at RCA operated Job Corps Centers in a broad range of vocations, clustered in such occupational areas as building construction, clerical and business, medical services, electronics, automotive repair and food services. Training is offered both on Center and off Center, variously by RCA staff, subcontractor staff and representatives of various trade unions and the National Association of Home Builders.

The Commonwealth of Massachusetts
Department of Revenue
Leverett Saltonstall Building,
100 Cambridge Street, Boston 02204

L. JOYCE HAMPERS
COMMISSIONER

September 22, 1982

C. Walsh, Manager - Insurance and Sales Tax
RCA Service Company
Route 38
Cherry Hill, New Jersey 08358

Dear Mr. Walsh:

RCA Service Company ("Company") is a private for-profit contractor that operates the Westover Job Corps Center ("Job Corps Center") on behalf of the United States Secretary of Labor. The Job Corps Center provides a comprehensive job training program for about 550 young people, most of whom reside at the center. You inquire whether the Company must pay Massachusetts sales or use taxes on its purchase or use of tangible personal property attributable to operation of the Job Corps Center.

Under General Laws Chapter 64H, Section 6(a) and General Laws Chapter 64I, Section 7(b), sales which the Commonwealth is prohibited from taxing under the Constitution or laws of the United States are exempt from the Massachusetts sales and use taxes.

29 U.S.C. s. 939(c) (Supp. IV 1981) provides that:

> "[t]ransactions conducted by private for-profit contractors for Job Corps centers which they are operating on behalf of the Secretary [of Labor] shall not be considered as generating gross receipts."

The federal regulations interpreting Section 939(c) provide in part that:

> "(a) ...'/t/ransactions' shall include:
> (1) Sales to private for-profit contractors of tangible personal property or services for resale to the Government;
> (2) Use of such property or services (whether purchased or Government furnished) by private for-profit contractors; and
> (3) Reimbursements to such contractors for allowable items of cost, including materials, labor, overhead and general and administrative costs.
> (b) Therefore, private for-profit contractors shall not be liable to any State or subdivision thereof with respect to gross receipts taxes, business privilege taxes measured by gross receipts, or any similar taxes imposed on, or measured by, gross receipts, in connection with any payments made to them for operating any Job Corps center; and such contractors shall not be liable to any State or subdivision thereof to collect or pay any sales taxes, or to pay any complementary use taxes imposed on the sale to, or use by, such contractors of any property or services in operating any Job Corps center."
> 20 C.F.R. s. 684.135 (1981).

Based on the foregoing, it is ruled that the Company's purchase or use of tangible personal property that it uses exclusively in operating the Job Corps Center for the United States Secretary of Labor is exempt from the sales and use taxes.

Very truly yours,

Commissioner of Revenue

LJH:JXD:mf

LOUIS L. GOLDSTEIN
COMPTROLLER OF THE TREASURY
STATE TREASURY BUILDING
P. O. BOX 466
ANNAPOLIS, MARYLAND 21404
269-3801

May 22, 1980

Mr. C. Walsh, Manager
Insurance & Sales Tax
RCA Service Company
Camden, New Jersey 08101

RE: Woodstock Job Corp Center
Woodland Job Corp Center

Dear Mr. Walsh:

Thank you for your letter of May 6, 1980 in which you have inquired as to the sales tax treatment under the provisions of your contract with the Federal Government in connection with the Job Corp Center Program. This matter has been referred to the Retail Sales Tax Division of my office for review.

I am informed that based on the provisions of Rules and Regulations issued by the Department of Labor Federal Register Vol. 44, No. 216, copy of which accompanied your letter, dealing with the specific provision as to the treatment of state taxes under this program, the purchases made by your firm in connection with your contract shall be exempt from the Maryland sales tax.

To implement the exempt provisions it has been proposed that RCA Service Company shall use Federal Sales Tax Exemption No. 500 when making purchases of essential materials and supplies necessary to fulfill the services and obligations by your firm under this contract. Under this procedure, RCA Service Company shall provide its suppliers with a certificate or statement certifying that such purchases are exempt in accordance with the federal contract.

My telephone number is (301) - 269-3801

AN EQUAL OPPORTUNITY EMPLOYER

The certificate or statement should include the name of the supplier, date of purchase, contract number or contract service designation, supplier's invoice number, and it should be signed by an authorized official of your Company.

Your letter also indicates that RCA Service Company has already made purchases for use in connection with the above contract on which the Maryland sales tax has been paid. Under the terms of the Federal Rules and Regulations and the determination stated above, you may apply for a refund of the sales tax previously paid on such purchases. Enclosed is a set of Vendee's Claim for Refund forms. Upon receipt of the completed form and supporting documents, the Retail Sales Tax Division will review it with respect to implementation of the refund. Kindly address your reply to the Retail Sales Tax Division, 301 West Preston Street, Baltimore, Maryland, 21201, attention Mr. Henry A. Heinmuller, Jr., Director.

Thank you for your inquiry. I am pleased to be of service to you and with every good wish, I am,

Cordially,

Louis Goldstein

Louis L. Goldstein
Comptroller

LLG:c
Enclosure

LOUIS L. GOLDSTEIN
COMPTROLLER OF THE TREASURY
LOUIS L. GOLDSTEIN TREASURY BUILDING
P.O. BOX 466
ANNAPOLIS, MARYLAND 21404-0466
269-3801

January 16, 1986

Mr. C. Walsh, Manager
Insurance & Sales Tax Accounting
RCA Service Company
Cherry Hill, New Jersey 08358

Dear Mr. Walsh:

In response to your inquiry of May 6, 1980, I wrote you on May 22, 1980, advising you that Maryland retail sales and use taxes did not apply to purchases made by your company under its contracts with the federal government to operate Job Corp Centers in this State. That advice was given on the basis of 20 CFR 684.135, which provides that contractors operating Job Corp Centers are not to be liable to pay sales or use taxes imposed on the sale to, or use by, such contractors of any property or services in operating any Job Corp Centers.

We have recently had occasion to review the basis for our previous advice to you. In connection with this review, we have noted the recent decision of *United States v. State of Mississippi*, 578 F. Supp. 348 (1984), in which it was determined that 20 CFR 684.135 was unlawfully broad in so far as it proported to create immunity for private contractors operating Job Corp Centers from state sales and use taxes which are not in the nature of taxes on gross receipts.

The Maryland sales tax has been judicially determined to be a true sales tax, differing in nature from a gross receipts or occupational type of tax. *Central Credit Union v. Comptroller of the Treasury*, 243 Md. 175, 220 A.2d, 568 (1966). The Maryland use tax is, of course, simply an excise tax imposed upon purchasers, undistinquishable from the use tax ruled applicable in *United States v. State of Mississippi*, *supra*.

My telephone number is (301) - 269-3801

TTY for Deaf: Annapolis Area 269-2609 AN EQUAL OPPORTUNITY EMPLOYER TTY for Deaf: Baltimore Area 383-7555

While the Secretary of Labor has not modified or repealed the regulation in question, the government has not appealed United States v. State of Mississippi. The language of the underlying federal statute, 29 USC, § 1707(c), is such that no basis upon which an appeal could have been filed is evident.

In light of the foregoing, please consider that my advice to you of May 22, 1980 is rescinded. Please take whatever steps are necessary to commence paying Maryland sales and use taxes on your company's purchases of tangible personal property used for the Job Corp Centers which it operates.

Very truly yours,

Louis L. Goldstein

Louis L. Goldstein

LLG/SMC/ma

Stein + Corp. 30 225 1556

COMMONWEALTH of VIRGINIA
DEPARTMENT OF TAXATION
RICHMOND 23282

November 10, 1981

Mr. C. Walsh, Manager
Insurance and Sales Tax
RCA Service Company
Camden, New Jersey 08101

RE: Ruling Letter/Sales and Use Tax
Private for-profit contractors operating CETA authorized JOB CORPS CENTERS
Effect of 29 USC Section 939(c)
RCA Service Company/Blue Ridge Job Corps Center

Dear Mr. Walsh:

This ruling letter is in response to your correspondence of May 2 and June 17, 1980, concerning the application of sales and use taxes to private for-profit contractors operating Job Corps centers as authorized under the Comprehensive Employment and Training Act.

FACTS

RCA Service Company by contract with the Department of Labor operated the Blue Ridge Job Corps Center in Virginia. In connection with its running of this center, RCA made taxable purchases and paid Virginia sales and use taxes.

In 1978 Congress added a provision to the Comprehensive Employment and Training Act stating that "Transactions conducted by private for-profit contractors for Job Corps centers...shall not be considered as generating gross receipts. "29 USCA Section 939(c) (1981 Supp.). Final regulations implementing this subsection provide that "such contractors shall not be liable to any State or subdivision thereof to collect or pay any sales taxes, or to pay any complementary use taxes imposed in the sale to or use by, such contractors...in operating any Job Corps Center." 20 CFR Section 684.135. Furthermore, in prefatory material to the regulations governing Section 939(c), the Department of Labor asserts that "the provision should be interpreted as retroactive" in effect. 44 Federal Register No. 216 (November 6, 1979).

DETERMINATION

Section 939(c) Title 29 of the United State Code clearly pre-empts the imposition of State sales and use tax on the transactions of private for-profit contractors attributable to the operation of Job Corps centers. Although introductory remarks to the rules interpreting this Section state that the provision should apply retroactively, this interpretation goes beyond the statute as enacted by Congress.

The provision in question was first added to the Comprehensive Employment and Training Act as amended in 1978. There are no express words in the statute making Section 939(c) retroactive. The legislative history is also noticeably silent as to any retroactive application. Moreover, the United States Supreme Court has consistently upheld State taxation of private for-profit contractors employed in government service absent Congressional exemption. See Hercules and the United States v. Forst, 442 F. Supp. 920, aff'd 569 F. 2nd 811 (1978). Thus, the Department of Taxation will not give retroactive effect to this provision; the effective date is October 27, 1978, the date of enactment.

Accordingly, as provided in Section 58-1118.1, amended sales and use tax returns should be filed for any such taxes paid to the Department for purchases attributable to the operation of Job Corps centers and taking place on or after October 27, 1978. A three year statutory period, running from the last day prescribed by law for the timely filing of the returns, applies to the filing of amended returns. Therefore, an amended return to your original November 20, 1978 return must be filed no later than November 20, 1981. Upon receipt of the amended return, the Department of Taxation will refund the taxes erroneously paid.

In addition, for any such sales taxes which you paid to vendors, you must file for a refund with them. It would then be up to these vendors to file for a refund with the Department following the provisions of Section 58-1118.1. The same statutory periods discussed previously would apply.

Sincerely,

W. H. Forst
State Tax Commissioner

ddb

GOVERNMENT OF THE DISTRICT OF COLUMBIA
DEPARTMENT OF FINANCE AND REVENUE

ASSOCIATE DIRECTOR FOR
TAX ADMINISTRATION

REPLY TO:
TAX AUDIT AND LIABILITY DIVISION
ROOM 2024 MUNICIPAL CENTER
300 INDIANA AVE., N.W.
WASHINGTON, D. C. 20001

7 APR 1980

Mr. C. Walsh, Manager
Insurance and Sales Tax
RCA Service Company
Camden, New Jersey 08101

Dear Mr. Walsh:

Reference is made to your letter of October 26, 1979, concerning application of D. C. sales tax to purchases made by your company for operating the Potomac Job Corps Center and to subsequent communications. We regret any inconvenience that may have been caused by our delay in concluding this matter.

We have reviewed the Comprehensive Employment and Training Act Amendments of 1978 as it relates to transactions conducted by private for-profit contractors for Job Corps centers which they are operating under contract with the U. S. Department of Labor. In accordance with the provisions of this act, we find that the transactions described shall not be considered as generating gross receipts, and that therefore, such transactions are not subject to D. C. sales tax.

Should you have any further questions, please feel free to contact me.

Sincerely,

Howard W. Harris

Howard W. Harris
Acting Supervisor
Audit Selection and Review Section

Proposed Amendment: JTPA Title IVB, Sec. 437(c)

> "Transactions conducted by a private for-profit contractor or a non-profit contractor in connection with said contractors' operation of Job Corps Centers and/or programs shall not be considered as generating gross receipts. Such contractors, therefore, shall not be liable to any State or subdivision thereof for any gross receipts taxes, business privilege taxes measured by gross receipts or any similar taxes imposed on, or made to said contractors for operating Job Corps Centers and/or programs. Said contractors shall also not be liable to any State or subdivision thereof to collect or pay any sales, excise, use or similar tax imposed upon the sale to or use by, said contractors of any property, service or other item in connection with the operation of Job Corps Centers and/or programs".

Senator **QUAYLE**. Next, Ms. Suzan Shown Harjo, executive director, National Congress of American Indians.

Ms. Harjo.

Ms. **HARJO**. Thank you, Mr. Chairman.

My name is Suzan Shown Harjo, and I represent the National Congress of American Indians. I appreciate the opportunity to be here to ask the subcommittee's help in getting the Department of Labor to adhere to the law and to work closely with Indian and native people.

There are some 200 Indian and native governments and organizations and some 30,000 Indian and native workers who directly benefit from the JTPA Programs.

The Joint Economic Committee of Congress has calculated that on a nationwide basis, a 1-percent increase in American unemployment results in a 1.9-percent increase in deaths from sclerosis of the liver; a 4.1-percent rise in the suicide rate; a 5.7-percent increase in homicides, and a 4-percent increase in State prison admissions. This is for the population as a whole. There is no breakdown for Indian and native people, even though we unfortunately are at the top, or at the bottom, depending on how you look at it, in four of those areas.

Fortunately, Indian country has not kept pace with this, which probably is a tribute to our cultural and extended family reinforcement, as well as a statement about how long we have existed in a state of poverty and unemployment. If Indian country were experiencing the unemployment levels of the Great Depression, we would be enjoying in a boom economy. Our unemployment levels right now, in accordance with Bureau of Indian Affairs surveys, of reservation labor market conditions, show that we have 17 medium-sized and larger reservations with joblessness rates of 75 percent or more. The Senate Select Committee on Indian Affairs has calculated that we have unemployment ranging from some 50 to 65 percent on the reservations and Indian communities, and we have some reservations that have gone from a 35-percent unemployment rate in 1979 to a 95-percent unemployment rate today.

The Indian employment and training programs are needed. They are doing a good job. They are helping the situation; even though it is hard to believe that there is some help out in Indian country, there are a lot of good things going on. And the Department of Labor has evaluated the Indian and native programs, and their evaluation shows that they are very successful.

The report that they put together, that evaluation and study, was not provided to this committee, and I think it would help the subcommittee, Members of Congress, and it would help the Indian and native programs if you would request that that report be made available to you. Please correct me if I am wrong, if you have already received this in recent times. I may be behind the times, but as of yesterday, I understand it had not been provided to you.

Senator QUAYLE. That is correct.

Ms. HARJO. I hope that you can get it. We have not been able to get it, but I hope that you can.

We do have several problem areas that are outlined in our prepared statement. One is the Department of Labor's role in the administration of Indian programs, and the overlayering of bureaucracy that exists and very little coordination between the two layers of programs that supposedly benefit the beneficiary Indian and native people, but rarely do.

As one example of this, the Department does maintain two completely separate staff units to monitor Indian grantees, and besides being cost-ineffective, this usually results in things getting done twice as slowly rather than twice as fast.

We also have a problem regarding technical assistance support for Indian programs; the problem is there simply is not any support, even though there is clear mandatory language in section 401(i).

Last year, the Department handpicked one of its audit contractors to deliver technical assistance to the Indian grantees, and that contractor had no experience in our program areas, and the GAO twice explicitly condemned the contracting arrangement involved. The contractor went out of business before completing the contract. That did us no good at all.

The Department of Labor has refused to even discuss with us a decentralized, cost-effective, grantee-responsive technical assistance mechanism. We have specifically asked in meetings and in writing for such discussion, because we do have some ideas that might be helpful. And the Department has declined the opportunity to discuss it with us.

Sentor QUAYLE. Excuse me, Ms. Harjo, I am going to have to interrupt you because I have one more witness and then I do have to leave.

We will put your entire statement in the record.

Ms. HARJO. Thank you very much.

Senator QUAYLE. Thank you very much.

[The prepared statement of Ms. Harjo follows:]

Statement of:

Ms. Suzan Shown Harjo
Executive Director
National Congress of American Indians

Submitted to the:

Subcommittee on Employment and Productivity
Committee on Labor and Human Resources
United States Senate

Regarding:

Amendments to JTPA, including S. 2069

March 11, 1986

Mr. Chairman and Members of the Committee, my name is Suzan Shown Harjo. I am Cheyenne and Creek and a citizen of the Cheyenne and Arapaho Tribes of Oklahoma. I appear before you as Executive Director of the National Congress of American Indians, the oldest and largest national Indian organization. Established in 1944, the NCAI has standing resolutions of membership from more than 75% of the Indian and Native governments, with 136 member governments for the year 1985-1986. During our 42nd Annual NCAI Convention in Tulsa last October, 126 Indian and Native governments were represented and some 1,100 individual Indian and Native people were certified as present and eligible to vote.

I am pleased to testify on behalf of NCAI and the Indian and Native American Employment and Training Coalition with regard to the JTPA programs and concerns of Indian and Native American organizations.

Nearly 200 Indian tribal governments, inter-tribal consortia, native Alaskan groups, off-reservation Indian nonprofit organizations and a native Hawaiian group participate in the Native American program authorized in Section 401 of the Job Training Partnership Act. Approximately 30,000 Indian workers benefit from this program.

In addition, over 130 of these groups, primarily tribal governments, participate as direct grantees under the Title II-B Summer Youth program.

Indian JTPA programs operate in communities suffering from catastrophic levels of unemployment. The last official Bureau of Indian Affairs survey of reservation labor market conditions listed seventeen medium-sized and larger reservations with joblessness rates of 75% or more.

The human toll these conditions take among our people is appalling. Recent outbreaks of teen-aged suicide are just one symptom of the problems.

Despite these very difficult economic circumstances, Indian employment and training programs are doing a good job in bringing new skills and new hope to Indian workers.

The only formal evaluation of our programs which the Department of Labor ever sponsored found that Indian programs are successful. The evaluation, highlighting Indian programs during the transition from CETA to JTPA, recorded the efforts of grantees to honor the spirit as well as the letter of the law. Emphasis on private sector job linkages, training and performance results were all apparent in the study's findings. We find it strange that Labor Department officials have apparently never communicated the results of this study to your Committee or to other members of the Congress.

Although Indian tribes and organizations have worked hard to make JTPA a success in Indian Country, they have not always had the help from DOL that the law promises. A number of critical problem areas were noted in a resolution passed at the NCAI

Convention in October. The preliminary oversight report which your Committee published in December of 1984 noted some of the same problems.

Current Problem Areas

We would like to point out our concerns in several major areas.

* DOL's role in the administration of Indian programs.

Although Section 401(e) of the law envisions a central point within the Department to oversee all DOL's relations with Indian groups, Labor has fragmented authority over our programs among many different offices with little coordination among them. The Division of Indian and Native American Programs (DINAP) has little real authority and few Indian persons on staff.

As one example of the problem, Labor maintains two completely separate staff units to monitor Indian grantees. This is hardly cost-effective in the present fiscal climate.

* Technical assistance support for Indian programs.

There isn't any -- despite the clear language in Section 401(i). Last year DOL handpicked one of its audit contractors to deliver TA to Indian grantees. The contractor had no experience in the technical assistance area. The General Accounting Office twice explicitly condemned the contracting arrangement involved. The contractor went out of business before completing the contract.

Grantees have long advocated a decentralized, cost-effective, grantee-responsive TA mechanism. Labor has refused to even discuss such a system.

* Performance standards for Indian programs.

Indian JTPA programs are very diverse and very small when compared to programs operated by the SDAs. This has made the setting of standards a very difficult process. Labor has refused to accept many of the findings of an Indian advisory committee, leading to sometimes totally inappropriate standards. For instance, an Indian tribe serving a remote rural area where the major industry is in serious decline was issued a 95% job placement rate standard for Program Year 1986.

Labor insists on using two separate, independent systems for Indian programs. One is the "performance standards" system. The other compares grantee plans with actual performance, a system not intended in the law. Both systems currently provide incentives for grantees to under-report their program results.

Unlike the system for SDAs, Labor has set up the Indian performance standards system with no technical assistance for improving performance and no rewards. There are only sanctions -- the loss of the grant. This has made tribes and other grantees understandably apprehensive about the use of the system.

These problems seem rooted in the attitudes which the Department has displayed toward our programs. We support changes to the law if that is what it takes to uproot these problems.

Legislative Recommendations

First, we urge the Committee to reinforce the mandates involving DOL administration of Indian programs and technical assistance written into Sections 401(e) and (i) of current law. We ask your intervention in whatever way will insure that the Department's role is a constructive one.

We are prepared to suggest technical changes in these two sections of the law to make Congressional intent even clearer.

Second, we would like to draw attention to one feature of S. 2069 which would cause unintended problems for many small tribal governments receiving direct grants under the Title II-B Summer Youth program.

Section 10 of the bill requires all recipients of Summer Youth funds, including the over 130 Indian and Native American grantees participating in the program, to provide education components to youth certified as needing this help.

While a worthy idea, many Indian grantees would have trouble complying with such a requirement because they receive so little Summer Youth money. Thirty percent of Indian Summer Youth grantees have grants of less than $25,000. The administrative and programmatic burden involved would put them, and even larger grantees, out of the program.

Third, we ask that you continue the position taken when JTPA was enacted and reserve Indian funds exclusively for the Indian and other Native American people presently eligible for them. Some in the Congress have suggested opening up the Indian set-asides to ethnic groups that are not now and never have been eligible for the special support provided to fulfill the federal government's responsibility to Indian tribes and Indian people. In view of the enormous loss in employment and training resources which Indian groups have suffered over the past several years, this is no time to give Indian money to non-Indian groups.

Indian tribes and organizations are proud of what they have done with the JTPA funds provided to them. We wish to continue to use these resources to address the challenge of joblessness present among our people and in our communities.

I would be happy to answer any questions you may have or furnish any additional information which you would find useful. Thank you.

Senator QUAYLE. Our final witness is Mr. Dennis Rhoades, director of the National Economics Commission for the American Legion.

Mr. Rhoades.

Mr. RHOADES. Mr. Chairman, on behalf of the 3 million members of the American Legion, I appreciate the opportunity to be here.

I will summarize my statement briefly, since I know you have to leave.

Let me just say we support the design and intent of JTPA. It is a welcome change from the previous CETA Program, which a lot of Vietnam veterans went through. But I do have to tell you we are concerned about the virtual exclusion of emphasis on veterans in the Job Training Partnership Act as it is currently written.

We are concerned about it for two reasons. First of all, there is a continuing need, believe it or not, 15 years after the war in Vietnam, on the part of Vietnam veterans for employment and employment training services.

Many Vietnam veterans are suffering from multiple readjustment problems. We believe the principal problem among these veterans is structural unemployment. I have cited in my testimony some studies that have been done. I wanted to also indicate that the Legion itself has just completed a study with Columbia University that indicated there is a direct correlation between income level, employment, and combat exposure oven this long after the war.

I might also point out that after JTPA was passed in 1982, 1 year later in 1983, unemployment among Vietnam veterans reached an all-time high of nearly 1 million; one out of every eight Vietnam veterans was jobless. This should not be happening 9 years after the conclusion of the war.

A second context in which I wanted to talk about JTPA was the historic role of the Federal Government, and in particular the Department of Labor, in providing employment services to veterans.

Many people believe the VA takes care of veterans for all things. It is not true. And the one thing it is particularly not true about is employment. That has been the case since the passage of the Wagner-Peyser Act, which specificly assigned responsibility for veterans employment to the Department of Labor.

Emphasis on the employment problems of veterans has been characteristic of most of the Federal Government's employment training efforts, starting with Wagner-Peyer, and continuing with MDTA, PEP, and CETA. For that reason JTPA was a significant departure from the tradition and the historic role that the Federal Government has assigned to the Department of Labor to take care of veterans' employment problems.

I might also point out that the 1982 JTPA legislation repealed sections 1 to 3 of the Wagner-Peyser Act, which really constituted the very foundation of the Federal Government's employment efforts for veterans. We would like to work with you to see that restored.

Basically, what we are asking for is the opportunity to sit down with you and your staff to work on three matters. First of all is targeting and special emphasis on veterans in the main body of the act, specifically titles II-A and III.

The second is honing title IV-C, which is the Veterans Employment National Program, to target it more closely to need, and also to look at increasing its resources. It runs around $10 million currently, out of a $3.5 billion overall program budget.

And the third, as I mentioned before, is the restoration of the veterans requirements that were contained in the original Wagner-Peyser Act.

We appreciate the opportunity to be here, and we look forward to working with you.

Senator QUAYLE. Thank you, Mr. Rhoades. We certainly will be willing to sit down with you and talk about your concerns to see if we can meet them.

[The prepared statement of Mr. Rhoades follows:]

STATEMENT OF DENNIS K. RHOADES, DIRECTOR
NATIONAL ECONOMIC COMMISSION
THE AMERICAN LEGION

Before

THE EMPLOYMENT AND PRODUCTIVITY SUBCOMMITTEE
COMMITTEE ON LABOR AND HUMAN RESOURCES
UNITED STATES SENATE

March 11, 1986

Mr. Chairman, on behalf of the nearly three million members of The American Legion, I am pleased to appear before this Committee today to share our perspective on the employment and training needs of our nation's veterans, the record of the Job Training Partnership Act (JTPA) in addressing those needs, and future actions which we believe the Committee ought to consider as it prepares to fine tune the existing legislation.

There are presently 27 million living veterans in the United States, of whom 9 million are from the Vietnam-era. Among this latter group, structural unemployment and underemployment have been chronic problems for last sixteen years. On four separate occasions, unemployment among these veterans has risen dramatically, and, in fact, reached an historic high as recently as 1983 -- something which should not be happening to an aging adult population group. In the seventies, the Federal government groped for solutions , but treated the employment problems of Vietnam veterans as primarily cyclical. This resulted in periodic efforts to place veterans in public service employment, first under the Public Employment Program (PEP), and later under the Comprehensive Employment Act

(CETA). These efforts proved to be of dubious value, since veterans thus employed received little, if any, of the type of training necessary to enable them to find and keep career-oriented jobs. Too many Vietnam veterans even today are employed in secondary labor market occupations and thus highly vulnerable to changes in the economy. Even worse, after each of these employment crises had passed, Vietnam veterans were essentially written off, as if the problem were only a cyclical aberration.

The reason the problem has persisted are many. Those entering military service during the Vietnam war were younger than soldiers in prior wars, with an average age of nineteen. Inequities in the draft -- some of which, like Project 100,000, were a matter of conscious manpower policy -- were responsible for a war being fought chiefly by those from lower socio-economic classes. Most veterans were released from the service during the time that the nation was beginning to experience turbulence in the economy. We must not also forget the decade-long national forgetting of the Vietnam war, and the associated problems experienced by its soldiers as a result. Thus many Vietnam veterans today experience job difficulties which themselves are only one element of a complex of readjustment problems. A 1984 study by the Center for Community Economics, funded by California's Employment Development Department through a grant from the Department of Labor, showed that veterans who served in Vietnam were unemployed on the average of 31 weeks longer than the national average for all unemployed persons. Moreover, these same veterans had a median household income of $5,625, or 37% lower than veterans who did not serve in Vietnam.

Given the dimensions of these problems, let me review for a moment the employment and training resources currently available to veterans, as well as correct a misconception.

That misconception concerns the services and benefits available through the Veterans Administration. The VA provides a broad spectrum of services to veterans, including health care, education, life insurance, mortgage guarantees, disability compensation and pension. The agency is not, however, all things to all veterans. In particular, it does not provide job and job training assistance, except through its vocational rehabilitation program for the disabled. That responsibility is specifically delegated in chapter 41 of title 38, U.S.C. to the Department of Labor. It is a responsibility with a long history, beginning with the Wagner-Peyser Act of 1933. With Wagner-Peyser, Congress created a veterans employment service within the public employment service. (I will comment later on about the changes made to this system with JTPA´s passage in 1982) Subsequent legislation strengthened the veterans employment service system. The Servicemen´s Readjustment Act of 1944 (the classic "GI Bill") created the position of local veterans ewmployment representative (LVER) in each employment service office. In 1972, P.L. 92-540 established a veterans employment service within the Department of Labor. In 1973 special consideration for veteran applicants was mandated under the new CETA legislation. In 1976, Congress established the position of Deputy

Assistant Secretary of Labor, in response to what appeared to be the reluctance of the Department to adequately deal with the employment problems of Vietnam-era veterans. This position was later elevated to a full Assistant Secretary. In 1980, Congress also placed into statute the Disabled Veterans Outreach Program.

In 1982, JTPA was passed by Congress to replace CETA as the nation's major employment training program. Its thrust toward greater involvement of the private sector employer community in program development and operation was long overdue, particularly in light of what many Vietnam-era veterans had experienced as CETA public service employment participants. Unfortunately, in creating JTPA, Congress omitted targetting veterans as it had done for many years under similar programs. In fact, the only significant acknowledgement of veterans' employment and training needs in the Act was contained in title IV(c), Veterans Employment Programs. Title IV provides for national programs, and replaced a similar veterans program in title III of CETA. It is curious to note that the funding formula for the veterans program results in approximately $10 million per year out of a $3.46 billion program. Veterans are not targeted anywhere else in the legislation. Perhaps this omission was an oversight; or perhaps the comfortably low level of unemployment among veterans at the time was considered and the conclusion reached that there was no longer a problem.

Nevertheless, just one year later,. in 1983, nearly a million, or one out of every eight Vietnam veterans in the labor force, was out of work.

The options were few, particularly for the non-job ready with multiple readjustment problems. In addition, most Vietnam veterans, especially combat veterans, had exceeded the ten year time limit for using their VA education benefits. With no other options, they had to turn to the Department of Labor. The Secretary of Labor is charged with the Federal responsibility for all veterans employment programs, but the actual service deliverers are State and local areas. In most communities, however, JTPA programs provided no assistance for their special readjustment needs. Veterans have repeatedly indicated to us that local service deliverers view veterans as a Federal responsibility, and since the law is silent on targeting, special programs are very seldom initiated except where stimulated by an infusion of title IV(c) funds.

In 1983, largely because JTPA had all but shut the door on veterans, the Committees on Veterans Affairs developed the Emergency Veterans Job Training Act (EVJTA). This program has been successful in placing well over 30,000 Korean and Vietnam-era veterans to work in on-the-job training with private sector employers in high technology, growth, and demand occupations. But lest one conclude from that record that no further action is required, we need to consider several points. First, in EVJTA, Congress created a temporary program, lasting just two years. Fortunately, Congress has added an extra year to the program's life, but the fact remains that EVJTA (now VJTA) is still a temporary program. Second, even though the program has placed over 30,000 veterans, ten times that many applied for participation.

Considering that eligibility requirements were tough -- the veteran had to be unemployed for 15 out of the twenty weeks immediately preceding application -- the existence of the program has demonstrated that there is a large group of veterans in the United States with serious employment problems. Third, EVJTA, though successful, has shown a high dropout rate. Most experts who have followed the program believe that this is due primarily to the participation of non-job ready veterans. EVJTA is a program for the job ready. Without the availability of job preparation resources, these veterans have proven unable to stay in the program. It is precisely in this area that JTPA could most successfully assist the unemployed veteran.

Obviously, that hasn't happened, because JTPA as it is currently written does not acknowledge the problem, nor the Federal responsibility for assisting our nation's former soldiers. In that regard, Mr. Chairman, let me return to a reference I made several moments ago to the Wagner-Peyser Act. In addition to relegating veterans to a small national program under title IV, JTPA also repealed those very provisions in the Wagner-Peyser Act which for fifty years had served as the foundation for the Federal government's efforts to assist unemployed veterans. Fortunately, a decade before, Congress had codified the veterans employment responsibilities of State Employment Security Agencies under title 38, U.S.C., which forestalled any real damage to the system. We do question, however, given the short shrift veterans received under JTPA as a whole, whether or not the lack of protection under title 38 might have even been considered in the development and adoption of the legislation.

This is not to suggest that the failure of JTPA to address veterans employment issues was the result of bad faith; rather, it would appear that the employment and training community and the veterans community have been going down two different tracks for too long, ignoring the interface between title 38 and title 29 which must necessarily take place for the Federal government's veterans employment effort to be not just effective, but even viable.

Mr. Chairman, this subcommittee now has the opportunity to correct the omissions and oversights of the 1982 legislation. Veterans are not merely another "special interest group." They constitute a special class of citizen for whom the nation has always gladly assumed a special responsibility. The American Legion is prepared to work with you and your staff to effect changes this year in JTPA which will assure that the system is fully able to resolve the problems of, and to honor the commitment of the Federal government to, our nation's veterans.

Senator **QUAYLE**. I have a letter here from the Navajo Nation that I want to make sure is made a part of the record. Also, we will keep the hearing record open for 2 weeks, until March 25, and accept written statements from those who could not be here today to testify.

[The letter referred to and additional statements subsequently supplied for the record follow:]

THE NAVAJO NATION
WINDOW ROCK, NAVAJO NATION (ARIZONA) 86515

PETERSON ZAH
CHAIRMAN, NAVAJO TRIBAL COUNCIL

EDWARD T. BEGAY
VICE CHAIRMAN, NAVAJO TRIBAL COUNCIL

March 10, 1986

Senator Dan Quayle, Chairman
Attention: Renee Coe
Senate Subcommittee on Employment and Productivity
SD-428 Dirksen Senate Office Building
Washington, D.C. 20510

RE: S. 2069, JTPA Amendments of 1986

Dear Senator Quayle:

This letter officially conveys our interest in submitting written testimony for the record for the March 11, 1986 hearing on S. 2069, JTPA Amendments of 1986. Upon our review of the bill, we found many of the changes proposed in S. 2069 to be of vital interest to the Navajo Nation, including:

- Adjustment of performance standards to encourage long term training for the "hard-to-serve" populations. THe Navajo Nation strongly supports this provision in light of its 36-40% chronic unemployment rate;
- Use of goal-based incentive awards for the 40% of the youth funds and the exemption of these grants from the cost limitations presently required under DOL;
- More flexibility on youth eligibility;
- Requirement of an educational component under the Title IIB Summer Youth Program;
- Stabilizing the Title IIA State formula funds for the economically disadvantaged through the 90% hold harmless option; and
- Use of the Governor's 6 per cent setaside for technical assistance to Service Delivery Areas (SDA's);

Letter/Dan Quayle
March 10, 1986
Page Two

On behalf of the Navajo Nation, I would also like to take this opportunity to inform you of these additional JTPA issues:

- Present processing of state Title IIA grant results in awards delayed program implementation by 3-4 months;
- Development of uniform performance standards by the Title IV National office and state-administered Title II grants;
- Waiver of the 15% cost limitation in Title IIA and/or make it consistent with Title IVA which has greater flexibility;
- Title IIA should be allocations based on present unemployment data rather than on dated 1980 population figures;
- The federal or state governments should be directed to designate Indian tribes whose lands overlap into a mulit-state region as "Service Delivery Areas" (SDA's) to streamline the administrative redtape involved in dealing with several states; and
- Indian tribes, if they are determined to have the organizational and administrative capability, should be allowed to receive Title V funds and to operate Job Services programs on Indian lands. Technical assistance grants should be made available to Tribes for this purpose.

These are recommendations which we find most desirable in order to increase the effectiveness of JTPA in serving the Navajo unemployed. We wholeheartedly agree that changes are needed to fulfill JTPA's philosophy and goals at this time.

Should you have any questions please do not hesitate to call Alice Luna, Staff Assistant at this office (202) 775-0393.

Sincerely,

Alice M. Luna

for Eric D. Eberhard, Director
Navajo Nation Washington Office

TESTIMONY
OF THE
NAVAJO NATION
ON
AMENDMENTS TO JTPA (S 2069)
BEFORE THE
SUBCOMMITTEE ON EMPLOYMENT AND PRODUCTIVITY
SENATE LABOR AND HUMAN RESOURCES COMMITTEE

Mr. Chairman, we appreciate this opportunity to present our views on Senate Bill 2069 (the "Bill") which would amend the Job Training Partnership Act ("JTPA") to correct certain problems identified by the subcommittee in the course of its JTPA oversight hearings. We would also like to bring to your attention deficiencies in JTPA which adversely affect delivery of job services to Navajo and other Indian persons, and we believe, deserve consideration by wav of additional amendments to the Act.

The Navajo Nation is generally supportive of the Bill. We are particularly gratified by the recognition that many disadvantaged persons are confronted by unique barriers to employment which should be expressly recognized as necessarily resulting in additional costs of service delivery and lower performance in job placement. As a part of his remarks in introducing the Bill, Senator Quayle cited as illustrative the lack of education and literacy in the English language as affecting service costs and placement performance. These factors are substantial impediments which exist for most JTPA-eligible persons within the Navajo Reservation. We ask the Subcommittee to supplement the record by expanding the list of recognized barriers to provide additional guidance to the Department of Labor in formulating the performance standards contemplated by Section 2 of the Bill. Among those which most prominently affect the provision and cost of services within Navajo and other Indian populations are the following:

(a) much lower level of private sector development and related private job placement opportunities; (b) different cultural and social perspectives; (c) widely dispersed eligible persons within a large geographic area; and (d) the lack of effective means of transportation and communications services.

Although we find the requirement which would add an educational component to be a commendable effort to enhance the summer youth program, our concern is that this additional feature would further strain available funding for this program and reduce the number of youths who could be served. In the absence of supplemental funding to meet the costs of implementing the educational requirement, we believe the inevitable consequence would be to foreclose participation to many eligible youth who would otherwise benefit from the summer program. On the other hand, we wholeheartedly support extending eligibility for youth programs to include 14 and 15 year olds, and persons age 18 and over forced by financial circumstances to temporarily reside with relatives. Many disadvantaged Navajos fall in these categories and are as much in need of job services as other persons now within the JTPA eligibility guidelines.

We now turn to issues affecting the Navajo Nation and other Indian Tribes which have caused inefficient and ineffective service delivery to many Indian people and merit consideration as the subjects for remedial amendments to the Act.

The Navajo Nation spreads over parts of three states - Arizona, New Mexico and Utah. Navajo people within the Nation's jurisdiction confront the same employment and training barriers identified above, without regard to whether they reside within the Arizona, New Mexico or Utah portion of the Navajo Nation. However, each State has the authority to designate service delivery areas ("SDA") within its boundaries, including geographic regions under the jurisdiction of Indian Tribes. For the Navajo Nation, this requires three separate applications under the differing guidelines employed by the states, as well as compliance with three different sets of regulations and procedures in the event a designation and grant is made. The administrative and service inefficiencies and unnecessary costs which naturally flow from this format are readily apparent. Simply put, the Navajo people are receiving a disproportionately lower level of service JTPA than non-Indian populations.

Under the current JTPA definitions, governmental bodies other than states (e.g. American, Samoa, Northern Mariana Islands and the Trust Territory of the Pacific Islands) are deemed to be "states" for purposes of direct funding under the JTPA. This approach certainly makes sense in terms of their identifiable boundaries and the unique employment needs of their populations. The same considerations apply to Indian Tribes as a governmental body considered to be "states" for purposes of the Act. The effect of such an amendment would be more efficient and cost-effective delivery of job services to a greater number of eligible Indian persons.

The same problem, with the same solution, exists in Title V of JTPA which funds public employment offices and services under the Wagner-Peyser Act. Because Tribes are now definitionally excluded from direct grant consideration, a significant component of the overall system to reduce unemployment nationwide is absent within Indian reservations.

We urge the Subcommittee to pursue a legislative resolution to both of these statutory deficiencies which unduly reduce JTPA services to Indian people, and we offer the Subcommittee our assistance in drafting appropriate amendments to accomplish this objective. We believe the result of that effort would be a positive step in reducing the severe rate of unemployment in Indian communities (exceeding 40% within the Navajo Nation).

Thank you for considering our comments and suggestions on the Bill and other matters of concern to the Navajo Nation under JTPA.

Mr. Chairman and members of the Committee:

I strongly support the proposal presented by Senator Quayle for the Private Industry Council to assist on the national level in administering the Job Training Partnership Act (JTPA), Wagner-Peyser and the Carl D. Perkins Vocational Education Act. My comments reflect both my personal view and that of our 33 member PIC in Northeast Indiana.

The initial JTPA has proven that the private sector and the Local Elected Officials can and are working far more successful than anticipated to streamline the use of federal money at the local level. New and innovative programs in training and finding jobs has happened in those Service Delivery Areas (SDAs) where the PIC has taken a strong leadership role.

Believe me gentlemen, the initial implementation and the cooperation was not easy. In fact, the grant recipient and the administrative entity had already been determined in our SDA without the private industry's involvement. Our role could have been minor to say the very least. The Act itself seemed clear but the interpretation as it channeled down from the national level was vague. You could have saved the private sector a lot of work and time if we would have been involved in the initial planning stages at the national level of JTPA.

The key word is planning - the proposal by Senator Quayle does precisely that on a national level. In fact, it carries it further. If we, on the local level, must coordinate and cooperate with other agencies as prescribed in the JTPA legislation, then the same thing must occur on the national level. You want me to coordinate, for example, with the Employment Service office. I resent the fact that there are several measurements placed on JTPA but what measurements are placed on Employment Service? You want me to be accountable but what about the other agencies? Has anyone determined what their placement rate is? This question and others must be addressed on a national level.

As a PIC volunteer, I have been able to sit back and make sound business decisions in the operation of the JTPA program and also watch the reaction to our role in our SDA and others. For the most part, nobody expected the private sector would take such a lead role. My major observation is simple - we are now discussing the simple issue of "turf." I have had the opportunity to read the previous testimony of Secretary of Education, Mr. Bennett, and Secretary of Labor, Mr. Brock, and with few exceptions, these are the same statements we have heard at our hearing on the local level. I know in our SDA, Employment Service and other agencies did not beat a path to our door to cooperate or coordinate over the past two and one half years. If there is an impetus to coordinate on the local level, it comes from the private sector. You need the same thrust on the national level.

The proposed board should have the broad authority to act on all matters related to education and training. Advisory boards with no authority are actually impotent groups. The previous CETA legislation had many such boards and the resulting failures were evident.

Our PIC did not want to be an advisory group - we took a strong leadership role and the local elected officials viewed us as a threat towards their "turf" but as our performance now shows, we just wanted to get the job done effectively and economically and we did. Best of all, we now have the support of the local elected officials. In fact, our approach is simple - we will take the heat and you, as elected officials, can take the bows.

You have before you an opportunity to create a lean and efficient machine. In previous correspondence with Senator Quayle, I indicated I didn't want a salary to serve - I do not get one now. You asked us to volunteer on a local level and we responded - we will do the same thing on a national level - just ask.

Finally, as far as I am concerned, the JTPA is one of the most significant pieces of legislation to come out of congress. The opportunity to actually involve myself in correcting the abysmal failures of the CETA program was a challenge unthought of. We often sit around and say how government should work but when has it ever been possible to actually walk in off the street and do something about it. I spend considerable time on a weekly basis in assisting the operation of the JTPA program. This is by choice and I want to be involved because not only am I helping those that need it most, but I actually have control on my own tax dollar and its use. If I am blowing a horn gentlemen, it is yours. You, as a congress, passed the Job Training Partnership Act and have taken a significant step in the effective use of our tax dollar. Let's improve on it.

Thank you.

2-24-86

COMMENTS FOR THE RECORD BY THE NATIONAL YOUTH EMPLOYMENT COALITION FOR THE SENATE SUBCOMMITTEE ON EMPLOYMENT AND PRODUCTIVITY

INTRODUCTION

Mr. Chairman, on behalf of the National Youth Employment Coalition, I would like to thank you for this opportunity to present our comments and concerns on yours and Senator Kennedy's proposed amendments to the Job Training Partnership Act (JTPA).

The Job Training Partnership Act represents a unique approach to job training because it links the combined resources of both the public and private sectors. Unfortunately, since the Act was first instituted, there have been many misrepresentations of the intent of the law. As a result, needed services have been ignored and energies have been disproportionately focused on job placement resulting in quick-fix, short-term program designs for youth.

We believe that the system is very responsive to the messages articulated by those in leadership positions and thus we believe it is vital for Congress to restate and underscore the intent of the Act. I will now present specific recommendations of the National Youth Employment Coalition.

SUBSTATE DISTRIBUTION FORMULA (Section 202)

As you know, JTPA, through a relatively complex formula, targets money on the basis of poverty and level of structural unemployment. However, the substate distribution formula has caused major shifts in funding on the local level. Since we are funding an education and training system which requires a stable infrastructure and the capacity to market its product on a reliable basis over time, the funding shifts from year to year must be relatively small.

We believe that these two principles are compatible in the job training arena. After all, the programs are targeted to the structurally unemployed and economically disadvantaged. This population does not vary dramatically from year to year within most communities.

JTPA cannot be successful if the basic system experiences wild funding fluctuations. Local areas need stable funding so that they can plan programs in a businesslike fashion. Therefore, as a short-term solution, NYEC strongly supports a two-year 90 percent hold harmless substate distribution of funds. During this period, the Coalition recommends that Congress have the Secretary of Labor study this matter, and provide Congress with information on developing a longer term solution.

PERFORMANCE STANDARDS (Section 202)

One of the most critical changes and important innovations to the employment and training system was the institutionalization of the performance standards. The Department deserves credit for the deliberate approach that was developed for designing and implementing the performance standards. However, the performance standards system is complex. It involves both statistical analysis and an understanding of process. States and localities have not received the kind of in-depth training necessary to make the performance standards system work as effectively as it might. As you know, states and SDAs have been quite successful in meeting the various standards as promulgated by the Labor Department. However, we are concerned that states and SDAs do not have the information they need to use performance standards to measure performance against locally determined goals.

All too often, the standards are driving the system in a rigid fashion rather than measuring the efficacy of local decisions. As designed by Congress, these standards were flexible -- taking into account a local area's decision to work with harder-to-serve youth or choosing higher skill, longer term training strategies. However, we are concerned that the flexibility of the performance system is rarely understood and, therefore, almost never used. To ensure the credibility and usefulness of a system that most of us supported, it is important that the Department provide for adequate training in this area.

Federal guidance is also necessary with respect to adjusting the performance standards for serving the hard to serve. At the present time, the regression analysis model employed by DOL provides the Secretary with a mechanism to adjust the performance standards. However, the model has limitations -- particularly with the exclusion of certain target populations. The Department has specified that Governors may adjust an SDA's performance "beyond the model." The Department has outlined parameters for undertaking this type of adjustment.

It would appear that many states and SDAs are not utilizing this option. While the reasons vary, the primary concern seems to be the audit/liability the state may encounter from utilizing a process which is defined by the state and the SDA.

It is our recommendation that Congress amend JTPA to mandate that Governors must consider requests from their SDA's to adjust the performance standards for providing services to the hard to serve. ✓

NYEC would like to take this opportunity to commend the Department of Labor on the proposed standards and reporting requirements for PY86-88. The NYEC supports the Department's efforts, particularly with respect to the development of post program measures, the addition of some reporting items that will aid further performance standards development with a focus on the hard to serve, and finally, we support the collection of youth employment competency data.

SUMMER REMEDIATION COMPONENT

There is already an opportunity to provide a remedial component in the existing summer program (Title II-B) and many program planners are taking advantage of the opportunity. Much of the credit for encouraging these programs can be attributed to The Ford Foundation and Public Private Ventures. But independent efforts exist as well.

Since a number of efforts already are underway, it is extremely timely for Congress to examine the direction public policy should take in this area. It is our judgment that we must carefully consider the federal role in this respect with particular attention to the design of appropriate incentives to build upon existing efforts and to expand the entire remediation thrust.

A proposal to enhance the summer program by adding a remediation component must be viewed within the context of the year round program. Services to youth through the employment and training system should be viewed as a twelve-month continuum. With this "continuum of services" perspective, one can see that the services offered in the summer are correctly driven by services offered during the non-summer months. The flexibility must be maintained to develop local programs that take into account not only what services are needed to augment the summer program, but how those services delivered in the summer augment and expand the basic Title II-A program.

The Coalition would like to address several issues that we think are important to examine within this context. These issues need to be examined here as well as through continued conversations with local PICs, employment and training practitioners, CBOs, and educators.

Increasing recognition of the potential benefits to combining remedial education with summer youth employment is likely to have a greater long-term effect on the way summer jobs programs are operated and on the role of basic skills development in youth programming. Therefore, NYEC would recommend requiring a summer remediation component in the summer program. However, we would caution the committee to develop a clear definition of what is meant by remediation and to further distinguish the role of local PICs and SDAs. Our concern is that a legislatively mandated system with no further direction would likely provide a fixed amount of remedial education resources irrespective of the needs of the young people being served or the existing commitment of community leaders to the remediation program.

The NYEC would recommend that the proposed amendment specify that remediation activities would be tied into a competency-based approach and that remediation services would only be delivered to those young people assessed to need them. In other words, a remediation component should not mean that all young people in the summer program must be placed in the remediation component. A program must be designed which defines a young person's need locally -- most likely through the PIC-recognized system of youth employment competencies as defined in section 106 of JTPA -- and combines work experience and remediation for youth based on need and not administrative compliance.

In addition, the NYEC supports the proposed JTPA amendment that would permit the placement of youth in private sector jobs as part of the summer program.

ENFORCEMENT

Youth unemployment and lack of basic skills is a national tragedy. It is true that the overall employment in January is up by 400,000. It is also true that the youth unemployment rate declined to 18.4 percent from 18.8 percent the previous month. However, these statistics are the positive side of the proverbial good news/bad news equation. The bad news is that the number of employed youth between the ages of 16 and 19 dropped by 73,000, and the youth labor force participation rate fell by nearly a full percentage point. Furthermore, the joblessness rate for black teenagers increased for the fifth consecutive month, rising to 41.9 percent, and is higher than the 41.5 percent rate recorded a year ago in January, 1985.

Our national dropout rate is 28 percent -- which means that over 700,000 youth each year leave school without the basic skills necessary to compete in the labor market. This is not only a personal tragedy for the young persons concerned, but our economy cannot afford to support huge numbers of youth who grow up to be tax users instead of tax payers.

In light of these statistics, we need to do more than just place youth into a job. They need services that will enhance their long-term employability. We strongly support the provision in the amendments that would require the Department of Labor to report to Congress on the implementation of the 40 percent requirement during the transition period and the first two years' planning period.

While we strongly support the enforcement of the law and therefore strongly support the proposal to require DOL to monitor and report to Congress on the local implementation of the 40 percent requirement, we would suggest that the proposal to withhold funds from SDAs that do not comply with the law should be used only as a last resort. We would like to suggest that a variety of "sanctions" be available to the Governor when an SDA does not meet the 40 percent requirement before the Governor is mandated to withdraw funds. The NYEC would recommend that states would be directed to develop a plan (policy) as part of the State Job Training and Coordination Plan that would inform the SDAs on how they will be held accountable on the 40 percent issue and what the consequences will be for not meeting the 40 percent requirement. Congress should allow for the withdrawal of funds as one option for Governors and should specify within what timeframe Governors must exercise this option. A simultaneous resolution to the problem would be to have the Labor Department and the states provide a more comprehensive training and technical assistance effort. By taking a leadership role in this area, abuses of the 40 percent expenditure requirement may be resolved and many more SDAs will have the opportunity to provide better services for youth.

TECHNICAL ASSISTANCE AND GOVERNOR'S INCENTIVE FUNDS

The Department currently invests in information and technical assistance through in-house efforts and contracts with a variety of public, nonprofit, and private organizations. Yet the current system often fails to address the most pressing needs, these areas either require direct federal involvement or more resources than any one group has, often fails to coordinate efforts among national and state groups, and does not set priorities, based on state and local input, for its staff and contractors to follow. Another shortcoming of the federal T.A. efforts occurs with respect to service providers. Service providers appear to be out of the "loop" of information. The technical assistance that is available is geared toward PICs, staff, and elected officials. Not much practical training is being developed for service providers.

Therefore, we recommend that the Department develop a process for identifying information and technical assistance needs, that it order these needs by federal priority, that it provide leadership in coordinating national and regional efforts, and that it assist the states in identifying expertise in one state that might be of assistance to other states so that we gain greater efficiency in our training expenditures at all levels. We know that the Secretary is committed to improving federal training and technical assistance. We hope that these suggestions are of some assistance in setting his coming agenda in this regard.

We would further recommend that the Department be encouraged to provide a flexible interpretation of the utilization of the funds provided to the Governor through Section 202(b)(3)of JTPA. A flexible interpretation of Section 202(b)(3) would possibly provide SDAs with technical assistance funds that would be utilized to train -- and therefore improve performance of -- local service providers. We would suggest that Governors be allowed -- as many have already done -- to set aside a portion of the 6 percent funds for preventative technical assistance. This would mean that Governors would not have to wait until the end of a program year to know how many SDAs received incentive awards and how many needed technical assistance based on not meeting their performance standards. A reasonable amount of money from the 6 percent funds provided at the beginning of a program year would allow states and SDAs to assess performance along the program year and to provide assistance before the "failure" occurred.

The NYEC supports a performance standards system that rewards good behavior through incentive awards and provides technical assistance to areas that do not meet their standards before sanctioning them. However, it is often the case that an SDA may "miss" their performance standard(s) through a problem that does not directly relate to any given standard. Flexible interpretation of the uses of the 6 percent funds with respect to the provision of technical assistance for not meeting performance would allow SDAs to receive technical assistance in such areas as program design and the equitable service provisions of the law. Both these issues relate to the youth performance measures, but may not have a direct causal effect on not having met performance.

JOB CORPS (Title IV-B)

Regarding the proposal to establish experimental programs to use SDAs as a recruitment and placement source, NYEC appreciates Congress encouraging experimentation in program designs. However, because nothing in the law precludes this activity we feel it is not necessary. Instead, once again, this may be another area that may need symbolic national encouragement rather than mandates.

CONCLUSION

In conclusion, we would like to emphasize the reality that the JTPA system is remarkably responsive to the priorities set by the Congress and the Administration. Therefore, NYEC strongly recommends that Congress restate and reinforce what is expected of programs providing services to youth. It is vital that participants are provided with necessary skills to help them become productive and positive forces in society. We feel Congress can symbolically encourage States and local areas to provide longer term programs that positively impact disadvantaged youth within the parameters outlined in JTPA.

Prepared Statements of the National Puerto Rican Forum for the Senate Subcommittee on Employment and Productivity on amendments to the Job Training Partnership Act

On behalf of the National Puerto Rican Forum, I would like to thank you for the opportunity to submit written testimony to the Subcommittee on the proposed amendments to Job Training Partnership Act.

As you are well aware, the National Puerto Rican Forum was founded in 1957 and is today the largest national Puerto Rican non-profit community organization in the mainland United States. It serves close to two million Puerto Ricans living in urban centers across the country. It has established and expanded programs to improve employment opportunities for Hispanics, particularly Puerto Ricans through its network of state offices, (Illinois, Ohio, New York, Florida, Connecticut, and Washington, D.C.)

With over 4 million dollars annually in federal, state, and local government contracts, and private sector support, the Forum offers the following services: competitive skills development, career counseling, leadership training, education and career planning, employment training, advocacy for Hispanic communities, language programs, and basic educational programs. Since its inception the agency has delivered over $50 million worth of public or privately supported employment and training projects, and placed tens of thousands of Hispanics in unsubsidized jobs. Recently we were awarded the Presidential Commendation for a successful partnership with industry consistent with the President's Private Sector Initiatives Guidelines.

The primary goals of the National Puerto Rican Forum are as follows:

- To provide competitive skills through pre-skills and skills training, World-of-Work orientation, and occupationally oriented English language training.
- To develop employment opportunities with placement into unsubsidized employment in the private sector and to provide job-seeking skills for self-placement.
- To develop entrepreneurs, and business opportunities, through counseling and consulting services for existing as well as aspiring business people.
- To analyze, research and to propose employment policies, programs and procedures which create access to information and opportunities for Puerto Ricans and others seeking advancement. To research and develop data to plan and design programs and services.

I would like to make a few brief comments about two areas of the amendments that raises concern for us. The amendment calling for incentive awards to strengthen the ability of SDA's to meet the 40 percent allocation requirement on youth aged 16 to 21 concerns us. We support the thrust of the amendment but believe that the incentive money must translate into program operation money and not administrative expenses.

It has been our experience that our ability to meet the needs of our constituents has been seriously curtailed by the lack of program dollars. As the need to serve more people and/or to better serve existing clients increases the resources available are decreasing. This is placing a tremendous strain on our organization's ability to adequately serve our clientele.

Additionally, we feel that less money should be provided for technical assistance. The TA that has been provided has not increased our ability to provide services to those in need. Once again we would like to see more money provided for direct services to more adequately address the rising unemployment and drop out rates among the Puerto Rican youth in particular and Hispanic youth in general.

Thank you.

STATE OF KANSAS
COMMENTS ON PUBLISHED PROPOSED JTPA ADMENDMENTS

Sec. 2(a). - Require the Secretary to issue youth competency standards by July 1, 1986 or the Secretary shall report to the Congress with proposals for legislative changes, if necessary.

Kansas recommends that the Secretary be required to consult with representatives from states in the development of youth competency standards. A preferable alternative would be to mandate that States set such standards and the DOL provide technical assistance to effect them. The Secretary could certify the Governor's standards to assure that minimum standards are met.

Kansas recommends that, along with that which is stated in the proposed amendment, the Secretary establish a performance standard for attainment of youth competencies, in addition to "entered employment" and total "positive terminations" add that all youth who terminate as having "obtained youth competencies" be reported as such even when they achieve another positive outcome, such as "entered employment". A performance standard which sets a minumum level for SDAs to achieve in the area of youth competency attainment would contribute greatly to the accountability and credibililty of youth employment programs and impact most significantly on the long term employability of disadvantaged youth.

Sec. 2(b). - Require the Secretary to establish performance standards measuring the long-term impact of participation by July 1, 1986 or report to Congress with recommendations for legislative changes, if necessary.

Kansas agrees that it is important to set performance standards measuring the long-term impact of JTPA participation, but is concerned about the State and SDA cost in gathering post-program data.

It should be noted here that Kansas has developed a JTPA Impact Evaluation System (IES) which provides a wealth of valuable information on the impact of JTPA participation.

Kansas JTPA Impact Evaluation System

The IES measures the impact which JTPA services have on the earnings of participants as compared to the earnings of a comparison group, and measures the return on the investment made in training JTPA participants.

The JTPA participants and the comparison group are studied over time to compare earnings and a range of other factors to determine the net impact JTPA has on participants. Other factors tracked include welfare payments, unemployment insurance payments, state income tax and sales tax generated. This is accomplished electronically through the use of existing data, including Unemployment Insurance (UI) Account Record File, UI Wage Base File, welfare file, Job Service applicant file, and JTPA MIS participant file.

Data from these files are organized by quarter and a comparison is made between JTPA participants and the comparison group for the purpose of determining if JTPA makes a difference. Comparisons are done on earnings, welfare benefits, unemployment insurance, and other factors.

With the IES in place, Kansas was able to set the following additional State performance standards for PY 84-85, and will use them for PY 86-87:

1) earnings increase (JTPA clients compared to non-JTPA comparison group)
2) earnings gain per JTPA dollar expended

Sec. 2(c). - Require the Secretary to adjust the performance standards to recognize that certain characteristics of program participation justify additional costs or lower performance.

While Kansas supports adjustment of performance standards in recognition of the difficulty of serving the groups which JTPA targets for services, it does not seem necessary for the Secretary of Labor to adjust the standards. The law has already given the Governors the authority to adjust performance standards for local conditions and hard-to-serve clientele, and DOL has formulated an acceptable adjustment methodology to accomplish this. Kansas has utilized this adjustment methology in PY 84-85, and intends to do so in PY 87.

In summary, it would be preferable for any adjustments to the performance standards to be performed by the Governor, rather than by the Secretary of Labor. The adjustment methodology endorsed by DOL has worked well in Kansas, and the methodology transmitted by DOL for PY 86-87 seems to have corrected several glitches which occurred, at least in Kansas, with the previous methodology.

Sec. 3. - Make the eligibility criteria the same as Title V of the Older Americans Act.

Kansas concurs with the recommendation that the 3% eligibility criteria be consistent with Title V of the Older Americans Act; i.e., 125 percent of the LLSIL.

Sec. 4. - The cost limitations should not apply to the incentive grants under the six percent setaside.

Kansas supports the amendment to clarify the intent of Congress to allow the incentive grants to be spent without regard to the IIA cost limitation, noting that an award with cost limitations in not really an incentive, and limits the extent to which an SDA can use the funds for special purposes.

Sec. 5(a) and (b). - Enforce the 40 percent requirement for services to youth and other program requirements by withholding funds from future grants. Funds withheld by the State from SDAs that do not meet these requirements must be reallocated among SDAs that are in compliance. Effective July 1, 1986.

Kansas agrees that there should be an enforcement measure for the 40% youth expenditure mandate, but believes that the method proposed in the amendment should not be the only option available to the Governor.

The proposed option for enforcement might not have the desired result. For example, an SDA that happens to be achieving the 40% requirement may not be spending an acceptable portion of its IIA resources; therefore, additional funds would not be particularly advantageous. Such a problem might be more pronounced in a state with a small number of SDAs.

Kansas recommends that the method to enforce the 40% youth requirement be left to the Governor's discretion, since there are a variety of enforcement options. Rather than the law requiring one enforcement measure, it would be useful if a DOL policy directive would articulate penalties for failure to meet the youth expenditure requirement. In addition, Kansas would appreciate DOL guidance on penalities which States would occur for failure to meet all cost limitations - administration and training expenditure levels, as well as youth expenditure levels.

If Congress wishes to specify enforcement measures for meeting youth expenditure requirements, Kansas recommends that several options be permittted, such as giving the Governor the authority to direct the suspension of adult enrollments, or reorganizing the PIC for the purpose of gaining better advocates for youth services, or requiring a reorganization of the service delivery structure.

It would seem to be more appropriate, however, for such procedures to be issued as DOL policy directives, rather than being specified in the Act itself.

Sec. 5(c). - Establish a procedure by which SDAs and States may request a ruling from the Secretary on disputed question of law, good faith reliance on which shall be a defense in Labor Department and State audit proceedings.

Governors shall have a period of time in which to make a decision or forward the question on to the Secretary with comments or recommendations. If the Governor decides the issue, then he accepts the liability in future audit proceedings.

Kansas concurs with this proposed amendment, but recommends an additional stipulation that the Secretary of Labor be required to respond to a State request for a ruling within thirty (30) days. Further, there should be clarification on how this would apply retroactively to decisions which the Governor has already made.

It is important to note that it is the Office of the Inspector General that conducts audits, and a policy set by the Governor and approved by DOL could still conceivably result in an audit exception by the OIG.

Sec. 7(a). - Permit Governors to use up to a 90% hold harmless on SDA II-A allocations, based on the average allocation for the 3 preceding program years. For PY 87, the allocation for the initial 9 month transition period will be annualized.

Kansas supports a 90% hold harmless provision for substate Title IIA allocations, but believes that the cause of SDA allocation levels which wildly fluctuate from year to year is the JTPA allocation formula which puts much too great an emphasis on unemployment data. Merely adding an SDA hold harlmless provision misses the broader issue: if the purpose of JTPA is to serve the economically disadvantaged, then the heaviest factor in the allocation formula should be relative number of disadvantaged.

Kansas recommends that instead of the current allocation formula (1/3 unemployed, 1/3 excess unemployed, 1/3 economically disadvantaged),1 the allocation formula be amended as follows: 70% economically disadvantaged, 15% unemployed, 15% excess unemployed.

Section 7(b). - Permit the balance of funds not used for incentive grants under the six percent setaside to be used for training and technical assistance for all SDAs, not only those which failed to meet performance standards.

Kansas strongly supports the amendment to allow incentive grant funds which are not awarded to SDAs for exceeding performance standards to be used for training and technical assistance for all SDAs, not only those which fail to meet performance standards, believing that proactive, preventive technical assistance is far more effective than waiting until an SDA has failed to meet a standard.

In addition, it is recommended that these funds be permitted to be used for post-program follow-up. The systems to gather information on clients after they've left the program are costly, and it is especially difficult for states like Kansas, with a small allocation, to support these costs.

Sec. 8(a). - Include services to 14 and 15 years olds in calculating an SDAs compliance with the requirement that 40 percent of funds must be spent on youth.

Kansas supports the provision to include services to 14 and 15 year olds in calculating an SDA's compliance with the 40% requirement. This would serve as an incentive to SDAs to extend appropriate services to this group and would result in greater participation in dropout prevention schemes.

Sec. 8(b). - Require the Department of Labor to report to Congress on implementation of the 40 percent requirement during the transition period and first two year planning period.

Kansas supports the provision to require of DOL that a report of the 40 percent requirement be delivered to Congress (covering the period of transition and the first two-year program period).

Sec. 9. - Authorize payments for youth incentive awards to recognize attendance or other achievements during training program. Charge to 30 percent cost limitation in section 108.

Kansas supports the authorization of incentive awards to clients for achievement of certain performance objectives. However, it is strongly recommended that bonus or incentive payments to clients for achievement of planned program objectives be chargeable to the training cost categoy, rather than to supportive services.

Sec. 10(a). - Permit subsidized private sector employment in the summer program in accordance with try out employment provisions in Section 205(d)(3)(B) but waive the requirement that employers must hire the youth.

Kansas supports the provision to specify that the try-out employment provisions in Section 205 (d)(3)(B) be permitted in Title IIB and that the commitment by the employer to hire be waived for the summer program.

Sec. 10(b). - Require SDAs to provide an education component in the Summer Youth Program for youth who do not meet locally prescribed education standards agreed to by the private industry council and local education agency.

Kansas strongly supports the proposed requirement that an educational component to the summer program be required for youth who do not meet locally prescribed education standards agreed to by the Private Industry Council and the local education agency.

Sec. 12. - Establish experimental programs which use SDAs as a recruitment and placement source, as well as exploring other possible linkages.

Kansas recommends approval of the proposal to establish programs which use SDAs as recruitment and placement sources for Job Corps. To make this work, there would need to be additional funds provided to the SDAs, particularly for the increased administrative resonsibilities. More effective coordination could be gained if a Job Corps Center were to be located in the State.

Sec. 13. - Definition of family shall not include youth 18 and over who have been self-supporting for at least one year, but who, during a period of unemployment, have taken up residence with family members, due to lack of income and are economically disadvantaged.

Kansas supports the intent of this amendment, which is to benefit the youth by considering him/her as a family of one for purpose of eligibility. However, this change might have a negative effect on other family members. A family that is very close to meeting the economically disadvantaged critieria may allow this older child to return home and share the meager resources. But without counting the additional family member, the remainder of the family would remain barely over the JTPA eligibility guidelines. (One is reminded of the story of the prodigal son. The sixteen year old sibling who hasn't left yet is ineligible!) There are youth who leave home or are thrown out by their parents at 15 or 16 years of age who may attempt to get back on a positive track sometime before their 18th birthday. It would be helpful to have the latitude to allow the enrollment of such a youth if there is documentation that the parents have not contributed in any way to his/her support for a year or more.

Actually, the Act has already given the Governor the authority to define "family" (Definitions - Sec. 4(8)), and although it might be helpful for the law (or DOL policy directives) to cite certain examples of acceptable non-traditional family definitions, the legal authority already exists for the Governor to develop such definitions for special circumstances, in order to carry out the intent of the law.

Amendments to JTPA

The State of Kansas appreciates this opportunity to comment upon the proposed Job Training Partnership Act amendments. Further, we would like to propose several additional revisions to the Act which should also be considered by Congress:

Title IIA Allocation Formula (Sec. 201(b)(1)) - Reduce the emphasis on unemployment data and increase the emphasis given to economically disadvantaged in both the Title IIA interstate and intrastate formula.

The States in Region VII join many other States in requesting the Congress to revise the allocation formula to weight the economically disadvantaged factor more heavily than its current 33 1/3% weighting. Placing 2/3 of the formula weighting on unemployment data results in too heavy an emphasis on wildly fluctuating unemployment rates, which can cause great changes in SDA budget shares. Even more importantly for many midwestern States, many long-term (and even short-term) unemployed have either dropped off the unemployment rolls or were never on the unemployment rolls. Many proud midwesterners regard unemployment insurance as a form of welfare and do not apply for benefits, and many more, such as farmers, are not eligible for unemployment compensation. It is recommended that more emphasis be placed on the economically disadvantaged factor of the funding formula, and that less emphasis be placed on unemployment data.

Amending the Act to include a 90% hold harmless provision addresses a symptom that is caused by the current funding formula, but misses the heart of the problem.

As stated earlier, Kansas recommends that the allocation formula be amended as follows: 70% based on the relative share of economically disadvantaged, 15% based on the relative share of unemployed, and 15% based on the relative share of excess unemployed. The current funding formula, with its heavy emphasis on the unemployed, is inconsistent with the stated JTPA prupose of serving the economically disadvanted.

Economically Disadvantaged Definition (Sec.4(8)-Definitions) - Allow a twelve-month period prior to application for income determination of self-employed individuals.

To provide a better method of calculating self-employed income for eligibility determination, it is recommended that the Act be amended to allow the use of a twelve-month period prior to application for income determination for self-employed individuals. The twelve-month period reflects a more accurate picture of self-employed incomes, such as farmers whose income is generally seasonal.

Drop-out Service Levels (Sec.203(b)(3)) - Allow the service level to school dropouts to be based on incidence in the general population, and add an age cap.

Data to compute the number of economically disadvantaged sixteen (16) years of age or over is not available. It is recommended that the Act be amended to allow the prescribed drop-out service level to be calculated based on the incidence in the general population, rather than of the eligible population.

Further, because no age cap is established in the law in the defintion of "school dropout", individuals from 16 - death are calculated in the number of dropout, which is surely not the congressional intent. It is recommended that the age of a "school dropout" be defined by law as between 16-22.

Computation of this service level requirement is difficult in areas which are not covered by the WIN program.

To provide a service level which concerns a major target population, it is recommended to delete the WIN provision from Section 203(b)(3) of the Act.

(20 CFR 630.2)

Forty-five (45) Day Title IIB Application - Delete this application procedure for Title IIB.

Due to the large number of applicants necessary for the Title IIB program enrollment and the length of time necessary to obtain the applications, the forty-five (45) day period in which an application is valid is too short. It is extremely difficult to obtain the requisite number of applications, complete the eligibility determination process and match up applicants with appropriate worksites within the forty-five day time frame.

It is recommended that 20 CFR 630.2 be amended to waive Title IIB from 20 CFR 629.1(b)(2).

Funding (Sec. 251)

Title IIB ~~Allocation to SDA~~ - Provide for a set-aside for State Administration.

An extensive effort is made by the State Administrative Entities to provide administrative services, staff training, technical assistance and oversight for the Title IIB program. This effort cannot be reduced since the States may be liable if the SDAs fail to comply with the Act and Federal Regulations.

To assure that States have the funds necessary to provide adequate Title IIB administrative services, training, technical assistance and oversight, it is recommended that Section 251 of the Act be amended to provide a five percent (5%) set aside of the allocation for administration by the State Administrative Entities.

(Sec 302(a)(1))

Title III Eligibility - Allow individuals engaged in farm occupations an exemption from the "eligible for or have exhausted their entitlement to" unemployment compensation eligibility provision.

Many terminated and laid-off farm employees are not covered by unemployment compensation and, therefore, do not meet the unemployment compensation requirement of Section 302(a)(1) of the Act.

To provide service to this farm population, it is recommended that they be excluded from the unemployment compensation provision of Section 302(a)(1) of the Act.

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March 26, 1986

Honorable Dan Quayle, Chairman
Subcommittee on Employment and Productivity
Committee on Labor and Human Resources
Room SD-428 Dirksen Senate Office Building
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

In connection with your hearings on S.2069, the proposed Job Training Partnership Act Amendments of 1986, I wish to make the following comments on behalf of the AFL-CIO.

Although grossly underfunded, the Job Training Partnership Act serves as this nation's only resource to provide job and training opportunities for disadvantaged and permanently laid-off workers. We strongly urge increased funds for JTPA. Many amendments proposed in S.2069 will correct specific flaws evident in the act after three years of operation. Other proposed actions could pose additional barriers to effective programs. Our comments are organized around specific topic areas addressed by certain amendment groupings and are as follows:

1. Youth Competency and Performance Standards

We support actions that will strengthen performance-based measures of success for JTPA programs, and including those reflecting services to the most-in-need, and we commend efforts to emphasize their importance. In setting performance standards however, time-frames must be realistic to assure effective implementation, and we recommend legislative language be modified to support this approach. Both short-time performance standards and long-term impact evaluations of JTPA should encompass programs for dislocated workers as well as the economically disadvantaged.

2. Older Workers

The implications of looser eligibility requirements for older worker programs funded under the three percent set-aside should be evaluated in relation to the overall desirability of uniform JTPA eligibility requirements. Restrictive eligibility will allow for more effective targeting on those most in need.

3. Elimination of Cost Limitations

Cost limitations on incentive bonuses funded with the 6 percent set-aside were imposed by DOL regulation. We support the removal of such cost limitations on this particular set-aside.

4. Suspension and Re-allocation of Funds

Although we support efforts to minimize ineffective programs, suspending or reallocating funds from an individual SDA may inadvertently penalize those participants whom JTPA programs are supposed to serve. Legislative and/or administrative sanctions should be designed to assure the continuation of services to the eligible population.

5. Procedures for Resolving Disputes

There clearly needs to be a more effective mechanism for resolving points of law in the administration of JTPA funds. The Department of Labor through regulation removed itself from this process and abrogated its responsibility for resolving critical issues. In cases where a dispute exists, interested parties, not just Private Industry Councils, should have the prerogative to petition the Secretary after state-based remedies have been exhausted. We would like to see the proposed amendments strenthened to reflect this approach.

6. Presidential Awards for Outstanding Business Involvement in JTPA

The central organizing theme of JTPA is partnership. As such we feel formal recognition should be accorded those individuals and programs which further JTPA's partnership goals. Singling out one JTPA partner, namely business, sends an inappropriate message to the other JTPA partners in the public and private sector.

7. Sub-state Allocation of Funds

We support the proposed amendments that provide for a "90 percent hold-harmless" in distributing Title II-A funds to local service delivery areas and that allow states to use the six percent set-aside to provide technical assistance for all SDAs.

8. Services to Youth

We have serious reservations about adding 14 and 15-year-olds in calculating compliance with JTPA youth spending requirements. Much more needs to be done at the federal level in providing technical assistance and guidance to the JTPA system to resolve the underexpenditures in youth programs.

Providing incentive awards to youths reaching benchmarks of achievement is an effective way of promoting success. This should not be construed as a substitute for much needed allowance and stipend payments.

9. Summer Youth Programs

We strongly object to a relaxation of the hiring requirements for summer youth try-out employment. Employers who benefit from fully subsidized youth employees should be obligated to provide employment after the try-out period.

We do support proposals requiring a remedial education component in summer youth programs. Legislative and/or administrative actions should however safeguard those who can benefit the most from these services.

10. Dislocated Workers

The amendments proposed will probably expand the number of workers legitimately eligible for services under Title III and we support these efforts. Funds for Title III should be significantly increased instead of being reduced.

11. Experimental Job Corps Program

Closer coordination between SDA/PIC programs and the Job Corps is certainly desirable. However, coordination is not a substitute for adequate Job Corps funding.

12. Youth Eligibility

The proposed amendment would expand the eligibility requirements for youth, who in the final analysis may not necessarily be among the most in need. Such action would also tax the limited resources now available. We would prefer to have current eligibility requirements retained.

Mr. Chairman, I would appreciate inclusion of this letter in the record of hearings on S.2069. Thank you.

Sincerely,

Robert M. McGlotten

Robert McGlotten, Director
Department of Legislation

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NATIONAL COMMISSION FOR EMPLOYMENT POLICY
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March 28, 1986

Honorable Dan Quayle
Chairman, Subcommittee on Employment
and Productivity
United States Senate
SH-607 Hart Senate Office Building
Washington, D.C. 20515

Dear Mr. Chairman:

On behalf of the Commission may I offer comments on the proposed bill, S. 2069, entitled "Job Training Partnership Act Amendments of 1986." First, may I also commend you and your committee for the restraint with which you have handled JTPA since its enactment. Like you, the Commission believes that giving the program an opportunity to mature before attempting to refine its basic structure is wise and in the best interests of participants. With that in mind, may I now turn to our comments on specific amendments.

Performance Standards

Sec. 2 (a) and (b). The Commission has for some time advocated the development of performance standards for youth competencies and long-term participant followup. It is also aware that the Department of Labor has proposed such standards to OMB previously without success. While the Commission continues to support the development of both types of standards, we believe that the proposed amendment will result only in the report on why such standards have not been issued. If the Congress wishes to ensure that these standards are developed without delay, then the directive should state that objective specifically.

Sec. 2 (c). The proposed new paragraph directing that performance standards "shall be adjusted to include factors recognizing that certain characteristics of program participants justify additional costs or lower performance" does not appear to us to be necessary, since we are aware that 47 of the 50 States currently adjust standards in this manner. The issue of "creaming," which this amendment seems to be addressing, is a complex one. Under the direction of Dr. Steve Sandell, the Commission is about to undertake a special analysis of the participant characteristics data to get at this question. The proposed adjustment to the law does not seem to be sufficient to overcome whatever problem may exist, and we recommend that more thought be given to how best to address the issue before an amendment is made.

Training Programs for Older Individuals

The proposed amendment to Sec. 3. Section 124 (d) of JTPA modifies eligibility for older worker programs funded under the Title II-A 3-percent setaside to correspond to SCSEP eligibility requirements. While we favor efforts to coordinate program efforts--in this case JTPA programs for older workers and the Senior Community Service Employment Program--we feel that this could be accomplished by using the provision of the 10-percent "window" that is already available under Title II-A. We therefore recommend that the language of Sec. 3. Section 124(d) be altered to add the phrase "except that the provisions of 203(a)(2) shall apply."

Cost Provisions

We do not support the change in the cost provisions for the 6 percent setaside funds. It is our view that the emphasis on training now found in the 70:30 ratio should be continued even as it applies to the setaside.

Enforcement Provisions

We support the added authority given to the States to monitor and control violations of the Act, particularly violations of the 40 percent youth cost requirement. Nevertheless, we do have some concern that withdrawing funds from SDAs that do not use the required amount on youth activities may defeat your intended purpose. The result may well be to further reduce funds available for youth activities in the offending SDAs. We suggest, therefore, that this amendment be reconsidered.

Presidential Awards for Outstanding Business Involvement in Programs

We wholeheartedly support the concept of Presidential awards for outstanding business involvement in JTPA. However, we believe that hiring JTPA participants is just as important as planning and administering programs through participation in private industry councils. We would, therefore, like to see the language of the proposed amendment broadened to read "which have demonstrated outstanding **service to** job training partnership programs."

Within State Allocation

We concur with the need for a 90 percent hold-harmless provision for substate allocations. However, we believe it would be simpler to base the within-State allocation on the same hold-harmless provisions available to the State as a whole, namely, 90 percent of the prior year allocation, rather than the average received over the three prior fiscal years, as you now propose.

Services to Youth

We like the inclusion of 14- and 15-year-olds in the eligible youth population. We also support the requirement that the Department of Labor prepare a report on the use of funds for youth activities. However, in the latter case, we do not believe that an amendment to the Act itself is necessary to request the report.

Uses of Funds

We support the provision for payment of youth incentive awards to recognize attendance or other achievements during the training period, as well as the decision to charge these costs to administration funds. However, we disagree with the placement of the amending language, which includes such incentives with needs-based payments. Rather, we suggest that youth incentive awards be included as a separate item (number 29) under Sec. 204 of the Act and item (v) under Sec. 108(b)(2)(A) of the Act.

Summer Youth Employment and Training Programs

Sec. 252. We support the provision to permit occupational career and vocational exploration programs in the summer program.

Sec. 253 (a)(2). Although we support the view that an education component should be available in summer programs if needed, we do not agree that each program conducted under the Act must include such a component. We would make the language more flexible to permit the add-on of education activities to summer training, but not require it for all such programs. We also suggest that because of the expense of mounting such efforts that a phase-in period be permitted for those SDAs who elect to add an education component to their summer programs.

Identification of Dislocated Workers

Sec. 302(a). The Department of Labor has already defined dislocated workers to include self-employed farmers. However, there would appear to be good reason to include in the broad definition of dislocated workers the self-employed owners of feed stores, groceries, and other small businesses in depressed communities. Therefore, we support the addition of item (4) to Sec. 302(a). We do feel, however, that the Secretary must be given the option of defining exactly which categories of self-employed individuals and of economic conditions and natural disasters shall be included, as you have indicated in the second sentence of item (4). Without this definitional authority, we think that the proposed change would be too broad.

Sec. 302(d). Item (2), which is proposed to be added to Sec. 302, is written in a manner that leaves us unclear as to its intent. As the amendment now reads, the section appears to authorize a State to serve its own residents who work in a labor market area that extends outside of the State. We believe that States are already authorized to do this under the Act. We question whether you intend to make it possible for States to serve nonresidents who work within the State or residents who work outside the State in contiguous labor market areas. Both should be made possible in our view. We recommend that you review the language of this amendment and try to clarify its intent.

Experimental Job Corps Program

The requirement that the Secretary of Labor establish experimental programs to use SDAs as recruitment, referral, and placement sources for Job Corps programs does not appear to be necessary. It is our understanding that, at least in the area of referrals, linkages of this kind already exist. In our view, accomplishing the goal of coordinated efforts could be achieved without an amendment to JTPA.

Technical Clarification of Definition

We do not support this amendment since the 10 percent "window" would appear to accommodate adequately individuals in this category (i.e., youth who are disadvantaged but who have been self-supporting for a year and have gone back home to their family). In addition to the window, we believe that there are other avenues of training provided by State and local governments for youth to explore.

Thank you for the opportunity to comment on the proposed amendments. Again, may I complement you and your committee for your restraint in making modifications to an Act that we all agree is working well to serve the needs of disadvantaged and dislocated workers.

Sincerely,

Gertrude C. McDonald

GERTRUDE C. MCDONALD
Chairman

NETEC New England Training & Employment Council

140 Huyshope Avenue
Hartford, Connecticut 06106
(203) 525-2099

March 21, 1986

The Honorable Dan Quayle
United States Senate
SH-524 Hart Senate Office Building
Washington, D.C. 20510

Dear Senator Quayle:

On behalf of the New England Training and Employment Council, Inc., I am pleased to submit comment on S.2069, a bill to amend the Job Training Partnership Act.

We commend you and Senator Kennedy for identifying a few key issues requiring changes in the law while maintaining the primary focus of the program. JTPA is working well here in New England. With your continued leadership and the Subcommittee's actions, it will be fine-tuned and funded at an appropriate level in PY1986.

Thank you for providing us with an opportunity to place our association's views on the record.

Sincerely,

Lee H. Arnold

Lee H. Arnold, D.P.A.
President

LHA/br

cc: Stephen W. Berman

STATEMENT OF

New England Training & Employment Council, Inc.
(and its 32 Local and State Agency Members)

to the

Subcommittee on Employment and Productivity
Committee on Labor and Human Resources
United States Senate

on

Job Training Partnership Act Amendments
S.2069

March 21, 1986

The New England Training and Employment Council, Inc., a private, non-profit association representing thirty-two local and state agencies responsible for federally-funded job training in Region I, is pleased to submit, for the record, comments on S.2069, a bill that would amend the Job Training Partnership Act.

NETEC has not elected to comment on all of the amendments in the bill for we believe that some are already implicit in the existing law or represent current practice in member states. Those listed below require new language and/or clarification.

PERFORMANCE STANDARDS

- requires Sec'y to issue regulations prescribing performance standards for long term impact by July 1,1986

COMMENTARY: Positive long term impact is one of the principal goals of the Jobs Partnership system. The ability to document this impact is potentially one of the best selling points of the program, in terms of both local marketing considerations and in sustaining the program itself in Congress and the federal administration. NETEC acknowleges that the task of setting such standards is a challenging one, inasmuch as the Jobs Partnership system will have to live with the standards for the foreseeable future. We are now well over two years past the transition stage; the time has come to begin to deliver on the promise of the Job Training Partnership Act to make a real difference in career prospects, earned income increments, and job retention for those who we serve. This can only be done by setting appropriate targets and assessing our performance toward their attainment in relation to the concurrent objectives of the Act. NETEC believes it is also incumbent on the

Secretary of Labor to make reasonable provisions for financing the installation and maintenance of the information systems necessary for data collection on the long term impact of the programs.

NETEC POSITION: Support amendment requiring issuance of regulations prescribing performance standards for long term impact and recommend adding language that would clarify states' ability to use 6% funds for the establishment and maintenance of follow-up system.

YOUTH

•allows SDAs to use funds for "youth incentive awards" to recognize completion of attendance goals or other achievement with cost charged to support services.

COMMENTARY: This amendment provides an incentive for youth participation in a program that cannot pay stipends. Its use may improve youth participation rates and help SDAs meet the 40% youth expenditure requirement. Its use may improve performance of all youth in the program (through striving to earn the incentive)

NETEC POSITION: Support

•extends eligibility to youth 18 or older who have been self supporting for a year, even if they have moved back in with relatives

COMMENTARY: This amendment permits service to a population group at high risk in terms of long term adaptation to the labor market and whose economic circumstances prevent independent living. Adoption of this amendment would plug an eligibility loophole which occasionally denies service to some individuals in clear need

NETEC POSITION: Support

•adds cost of service to 14-15 year olds in calculating 40% youth requirement.

NETEC POSITION: Support

SUBSTATE DISTRIBUTION FORMULA

•gives Governors the option of holding SDAs harmless for up to 90% on the substate distribution formula

COMMENTARY: This change would provide continuity of programming over the multi-year plan cycle. It guards against capricious fund shifts and loss of core capacity to carry out the mission of JTPA.

NETEC POSITION: Support the amendment with the proviso that it would be preferrable to construct a new allocation formula that better targets resources to the eligible population under JTPA Title IIA.

GOVERNORS' 6% SETASIDE

•permits governors to use 6% funds for technical assistance to all SDAs, not just those who fail to meet performance standards

COMMENTARY: This amendment permits technical assistance to assure that SDAs meet standards without waiting for them to fail and then providing asistance. It provides for general program support and activities needed on a statewide basis. This appears to be implicit in existing law, but its adoption may help in states which have adopted a "strict construction" policy in an effort to avert future audit exceptions.

NETEC POSITION: Support

•exempts 6% incentive funds from the cost limitations prescribed for regular allocations

COMMENTARY: This change would reward high performers with the opportunity to accomplish things which would otherwise be impossible under the regular cost limitations. It permits innovative and exemplary programming and may permit "leveraging" of non-federal financial resources.

NETEC POSITION: Support

COORDINATION

•changes eligibility criteria for 3% older workers funds to be consistent with Title V of the Older Americans Act

COMMENTARY: Evidence suggests that many potential older worker participants are prevented from participation due to overly restrictive JTPA entry requirements. This amendment makes administration of both programs easier and avoids confusion on the part of potential program participants.

NETEC POSITION: Support

other amendments not included in S.2069 but recommended by NETEC, INC.

•eliminate "excess unemployment" (>4.5%) portion of IIA allocation formula

COMMENTARY: Unemployment in excess of 4.5% comprises largely workers who are cyclically unemployed. These individuals are not ordinarily eligible for JTPA IIA services, and should not be counted in determining the allocation levels. This provision only distorts the allocation process, putting resources in places where they cannot be as effectively used. This provision is the primary cause of complaints about "creaming." Even if "excess unemployment" was a useful index of need, a one third weight seems excessive in view of the 40% youth expenditure requirement (most youth are not yet in the labor force.) Many other disadvantaged potential clients are not considered unemployed because they are not in the labor force (ie. welfare recipients, discouraged workers, displaced homemakers, offenders, and handicapped individuals.)

NETEC POSITION: Support

•eliminate matching requirement under Title III Dislocated Worker projects

COMMENTARY; Experience has shown that very little, if any, new funds are entering the system through this requirement. Considerable time and effort, however, is expended by program operators to "find" other federal, state and local grants and in-kind contributions in order to use the limited Title III money. If private employers had funds to use for this effort, they might not need to close or lay off workers.

NETEC POSITION: Support

Conclusion

The members of NETEC appreciate the opportunity to present comments of S.2069. We are proud of the excellent record JTPA has forged during its first two and a half years. Although we fear any wide scale revision of the law, most of those issues addressed in S.2069 will clearly strengthen the program.

NETEC urges the Sub-Committee to reassess the way JTPA funds are distributed and the allocation formula used. Finally, we urge you to fight for an appropriate level of funding for JTPA and DES.

National Governors' Association

Lamar Alexander
Governor of Tennessee
Chairman

Raymond C. Scheppach
Executive Director

May 1, 1986

The Honorable Dan Quayle, Chairman
Subcommittee on Employment and Productivity
Senate Committee on Labor and Human Resources
428 Senate Dirksen Office Building
Constitution Avenue, 1st and 2nd Streets, N.E.
Washington, D.C. 20510

Dear Mr. Chairman:

As Chairman of the National Governors' Association's (NGA) Committee on Human Resources, I have been tracking the progress of amendments to the Job Training Partnership Act, S. 2069, with great interest. While I am generally supportive of your efforts in this area, there are a number of issues which I would like to raise with you.

First, I am pleased that the Employment and Productivity Subcommittee recommended waiving the application of cost limitations to the six percent set-aside for incentive awards for those Service Delivery Areas (SDAs) which exceed their performance standards. However, I do not agree that such awards should be subject to performance standards. This would limit the flexibility of these funds and would weaken the incentive for SDAs to try innovative programs. I urge you to work with the full Committee on Labor and Human Resources to remove any language in the committee report which would limit states' flexibility in this area. If performance standards must be applied to these funds, states should have the option of choosing the measures and the numeric standards which are most appropriate to their own unique set of circumstances.

Second, I am particularly concerned that the full Committee give the Department of Labor (DOL) clear guidance in allowing states and localities to use the six percent funds to finance the cost of post-program data systems. Most states have been in agreement with you that JTPA must move towards performance measures which more directly reflect the statutory goals of the program, i.e., to increase employment and earnings and to reduce welfare dependency. However, in this time of constrained resources, we believe that the Department needs to give state and local program operators maximum flexibility in paying for post-program systems. Some states used the six percent funds during the transition year to establish follow-up systems (as well as for other uses). Other states will just be starting to develop such systems now that data collection has been approved. In both cases, state and local managers are justifiably concerned with how to pay for these new systems.

The Honorable Dan Quayle
Page Two

The Department has indicated that the use of six percent funds to pay for participant follow-up systems at the beginning of the program year is not appropriate. Their suggested alternative is to fund follow-up through either state or local administrative funds. Those of us who have been supportive of post-program follow-up believe that there must be a way to pay for it which goes beyond the use of administrative funds. Many states and localities are already strained in this area. I believe a good case can be made for using a portion of the six percent funds at the beginning of the program year to fund such systems.

To clarify this funding question, I would suggest that the Committee include specific language at Section 202 (b) (3) (B) of the Job Training Partnership Act to insert the words "and for follow-up" after "assistance" in the last sentence of the section. We believe that this would ensure the needed flexibility so that the Department will allow the use of six percent funds for this important purpose.

I appreciate the leadership you continue to give to job training programs and the support you have given toward ensuring a strong state role in managing these programs. I look forward to your assistance in this matter.

Sincerely,

Michael N. Castle

Governor Michael N. Castle
Chairman
Committee on Human Resources

Senator **Quayle**. We have had a lot of witnesses, and I appreciate the brevity, I appreciate the conciseness, and also the detail that you went into in your written statements. We will take it all to heart, as we will be sitting down and trying to come up with where we want to go from here. We certainly appreciate your valuable and forthright input.

Thank you very much.

The committee is adjourned.

[Whereupon, at 11:30 a.m., the subcommittee was adjourned.]

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